

# **THE NEIGHBORHOOD STABILIZATION PROGRAM (NSP)**

## **SUBSTANTIAL AMENDMENT**

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### **Introduction**

Title III of Division B of the Housing and Economic Recovery Act of 2008 (hereinafter “HERA”) provides emergency assistance to states and localities for the redevelopment of abandoned and foreclosed homes. The program is known as the Neighborhood Stabilization Program (NSP). The focus of this program is the purchase, management and resale of foreclosed and abandoned properties for the purpose of stabilizing neighborhoods. Unless HERA provides otherwise, grants must comply with Community Development Block Grant (CDBG) requirements.

Minnesota Housing is the grantee for the State of Minnesota NSP funds in the amount of \$38.8 million. The plan describes Minnesota Housing’s distribution plan, eligible applicants, application requirements, eligible uses and activities, funding cycles, and performance evaluation for NSP funds.

Minnesota Housing will sub grant NSP funds to eligible local units of government with experience administering CDBG funds. Subrecipients are expected to be knowledgeable about and adhere to the laws and regulations governing the CDBG program as well as the Neighborhood Stabilization Program. Subrecipients must commit and expend funding in accordance with NSP funding guidelines and the targeting requirements described in the Action Plan.

### **Timelines and Funding Cycles**

The \$38.8 million in NSP funds administered by Minnesota Housing will be awarded in February 2009. The initial posting of the application will occur in December of 2008, with an application deadline of January 28, 2009. Awards for this first round of funding from both competitive and non-competitive pools are expected to be made in February 2009.

Awarded funds may be recaptured if a sub recipient is not making sufficient progress in using awarded funds. Additional funding rounds may occur at approximately six, nine, and twelve months after initial selections if awarded funds are recaptured. Applications will be solicited for recaptured funds and recaptured funds will be awarded on a competitive basis.

## **Areas of Greatest Need and Distribution Plan**

The determination of maximum initial distributions of NSP funds has been made based on four identified categories of areas of greatest need:

- NSP entitlement areas (Anoka and Hennepin counties and the cities of Minneapolis and St. Paul), which will be assigned a maximum distribution of funds in addition to the allocation they will receive directly from HUD;
- High-need zip codes outside the NSP entitlement areas;
- Communities in one of Minnesota's 23 high-need counties, with funds available on a competitive basis separately in the Twin Cities Metro Area and Greater Minnesota;
- High-need areas for which maximum distributions are assigned for Community Revitalization projects.

The first funding round has four set-asides: one non-competitive pool and three competitive pools. The non-competitive pool is for the NSP entitlement areas. The first competitive pool is for high-need zip codes outside the NSP entitlement areas. Each high-need zip code has been assigned a maximum distribution, and Minnesota Housing will allocate funds to eligible subrecipients with the process being competitive only if there is more than one application for a zip code and the total amount requested is greater than the zip code's maximum distribution. The other two competitive pools are for the high-need counties, with one pool for the Twin Cities Metro Area and the other for Greater Minnesota. To compete for these funds, an application must be for stabilization efforts in one of the 23 high-need counties but outside the 37 high-need zip codes eligible for receiving funds through the other pools.

Except for certain limitations described on Section B, all eligible uses identified in HERA will be eligible for State NSP funds. These activities are:

- Acquisition and rehabilitation for homeownership;
- Acquisition and rehabilitation for rental;
- Establishing land banks;
- Demolition of blighted structures; and
- Redevelopment of demolished or vacant structures.

Minnesota Housing will undertake an evaluation of the uses and outcomes achieved with NSP funding. The funding agreement will require certain information to be provided to assist Minnesota Housing in its evaluation efforts.

### **A. AREAS OF GREATEST NEED**

#### **Overview**

HERA requires that grantees that receive NSP funding "...give priority emphasis and consideration to those metropolitan areas, metropolitan cities, urban areas, rural areas, low and moderate – income , and other areas with the greatest need, including those

- (A) with the greatest percentage of home foreclosures;
- (B) with the highest percentage of homes financed by a subprime mortgage related loan; and
- (C) identified by the State or unit of general local government as likely to face a significant rise in the rate of home foreclosures."

#### **Minnesota Housing Process Summary**

Outlined below is the methodology that Minnesota Housing used to identify areas of greatest need and to

assign initial maximum funding distributions around the state. To accomplish this task, Minnesota Housing analyzed foreclosure, real-estate-owned (REO), subprime, and delinquency data on a zip code basis and sheriff's sales data on a county basis.

1. Identify the 120 zip codes with the highest foreclosure/REO, subprime, and delinquency rates (problem loans per 100 households).
2. Initially, assign funds to the 120 high-need zip codes based on their number of foreclosures, delinquencies, and subprime loans, using the total funding level allocated to both the state and the five entitlement jurisdictions.
3. Adjust initial assignment to account for:
  - o Rates of foreclosures, delinquencies, and subprime loans per 100 households (with a 20 percent cap). (The initial assignment in step 2 is based on the number of problem loans, not the rate per 100 households.)
  - o Median family income level (with a 15 percent adjustment cap).
  - o Median age of housing stock (with a 15 percent adjustment cap).
4. Assign funds to the 37 zip codes receiving more than \$500,000 under the funding formula.
5. Do not assign but pool funds for the 83 zip codes that were to receive less than \$500,000 under the funding formula; make pooled funds available in any one of the 23 highest-need counties on a competitive basis with separate pools for Greater Minnesota and the Twin Cities Metro Area. Thus, Minnesota Housing is dropping the 83 zip codes and basing the competition of the 23 high need counties. Communities in any one of the 23 high-need counties can compete for these funds. The communities do not need to fall within one of the 83 zip codes identified previously. These competitive funds cannot be used in zip codes receiving funds under step 4.
6. Adjust the assignment in step 4 downward for the zip codes that fall in Anoka, Dakota, Hennepin counties and the cities of St. Paul and Minneapolis to account for the funds that these localities will receive directly from HUD.
7. If funds are still available and not distributed to specific stabilization efforts after step 6, Minnesota Housing will supplement the allocations in steps 4 and 5 on a competitive basis. The NSP application will have a separate section for subrecipients who wish to compete for a supplemental allocation (if available).
8. If Minnesota Housing needs to retract funding from a subrecipient for lack of progress, the retracted funds will be reallocated. These funds will be available on a competitive basis for stabilization efforts in any of the 23 highest-need counties. Minnesota Housing may use funds directly if such action is necessary to meet the 18 month timeline.
9. Limit funding to efforts that meet program goals, criteria, and requirements.

The 120 highest-need zip codes (out of 872 statewide) each have a concentration of problems loans (foreclosures, delinquencies, and subprime loans) per 100 households that is at least 25 percent higher than the statewide concentration of problem loans. These 120 zip codes account for 57 percent of the state's loans in foreclosure or REO. After the assignment of maximum distributions is completed, Minnesota Housing will assign a maximum distribution to only 37 of these 120 zip codes. These 37 zip codes (which represent 4 percent of the state's 872 zip codes) account for 45 percent of the state's loans in foreclosure or REO.

The 23 highest-need counties (out of 87 statewide) either rank in the top 19 in number of sheriff sales or in the top 19 in concentration of sheriff's sales per 100 households. Fifteen counties rank in the top 19 under both criteria, while 8 rank in the top 19 under one of the two criteria. The 19 counties with the highest concentration of sheriff sales each have at least as many sheriff's sales per 100 households as the overall statewide rate.

To identify the 120 highest-need zip codes discussed in step one of the process summary above, Minnesota Housing developed the following need score:

Score =

- $0.7 \times (\text{the zip code's number of loans in foreclosure or REO per 100 households} / \text{state's foreclosures or REOs per 100 households})$   
+
- $0.15 \times (\text{the zip code's number of subprime loans per 100 households} / \text{state's subprime loans per 100 households})$   
+
- $0.15 \times (\text{the zip code's number of loans 60+ days past due per 100 households} / \text{state's loans 60+ days past due per 100 households})$

(The delinquency rate is an assessment of the potential for future increases in foreclosures.)

The need score expresses each zip code's rate of problem loans in relation to the overall state rate. A zip code with a need score of 200 percent has twice as many problem loans per 100 households as the state average, and a zip code with a need score of 600 percent has six times as many problems per 100 households.

See the spreadsheet titled "Zip Code Analysis" for a listing of each zip code's need score and maximum distributions. The spreadsheet can be accessed at:

[http://www.mnhousing.gov/idc/groups/secure/documents/admin/mhfa\\_007439.xls](http://www.mnhousing.gov/idc/groups/secure/documents/admin/mhfa_007439.xls)

Also, see the spreadsheet titled "County Analysis" for the number and rate of sheriff sales in each county. The county spreadsheet can be accessed at:

[http://www.mnhousing.gov/idc/groups/secure/documents/admin/mhfa\\_007438.xls](http://www.mnhousing.gov/idc/groups/secure/documents/admin/mhfa_007438.xls)

A detailed description of the data sources, methodology and final maximum distributions (Tables 4a, 4b, 5, and 6) is attached as Appendix A at the end of this document. Appendix B is a map showing the location of the 37 zip codes receiving a maximum distribution.

## **B. DISTRIBUTION AND USES OF FUNDS – STATE NSP GOALS**

Minnesota Housing has three goals for the NSP funding:

- 1) To maximize the revitalization and stabilization impact on neighborhoods;
- 2) To complement and coordinate with other federal, state and local investment in the targeted neighborhoods;
- 3) To preserve affordable housing opportunities in the targeted neighborhoods.

NOTE: See Section A above for detailed information on Minnesota Housing's plan to focus on the three need categories: 1) Areas with greatest percentage of home foreclosures; 2) Areas with the highest percentage of homes financed by a subprime mortgage related loan; and 3) Areas identified by the grantee as likely to face a significant rise in foreclosure.

### **I. Eligible Applicants**

Local units of government experienced in administering CDBG funding are eligible applicants. Local units of government include cities, HRAs, EDAs, CDAs, PHAs and counties. Only local units of government operating in the zip codes or counties identified as areas of greatest need may apply for funds. For cities within NSP entitlement counties, (Anoka, Dakota, and Hennepin, with the exception of the city of Minneapolis), the entitlement county is the eligible applicant. For local units of government within the NSP entitlement cities, (Minneapolis and St. Paul), the entitlement city is the eligible applicant. Local units of government who have contracted with other entities to administer CDBG funds and do not have direct experience administering CDBG funds must contract with an experienced CDBG administrator to administer the NSP funds.

Minnesota Housing will sub grant NSP funds to eligible applicants. The subrecipients may accept applications to undertake eligible activities and/or may directly undertake eligible activities. Subrecipients are encouraged to work with experienced housing developers and property management companies and other local units of government in developing their application for state NSP funds.

## **II. Eligible Uses and Activities**

HERA establishes five (5) eligible uses of NSP funds:

- Financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties;
- Purchase and rehabilitation of homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent or redevelop the homes and properties;
- Land banking for homes that have been foreclosed upon;
- Demolition of blighted structures;
- Redevelopment of demolished or vacant properties.

### **Restrictions of Redevelopment of Commercial Properties**

NSP funding through Minnesota Housing may only be used for redevelopment of commercial properties if the properties' new use will be as residential structures serving households at or below 120% AMI or a public facility. Minnesota Housing's NSP funds may not be used to pay for the installation of non-housing facilities.

### **Restrictions on Demolition**

NSP funding through Minnesota Housing may only be used for demolition of blighted residential structures if the structures will be replaced with housing, commercial development, or a public facility; and commercial structures if the structures will be replaced with housing or a public facility. Demolition must be part of a plan for redevelopment of the targeted neighborhoods.

## **III. Application Requirements**

Applicants must provide sufficient detail for Minnesota Housing to evaluate the extent that the requested funds will stabilize and revitalize neighborhoods and generate a healthy living environment. Applicants must identify the problems experienced in the area or community as a result of the foreclosure and subprime lending activities and fully discuss how the requested funding will address the identified problems. Activities or projects proposed should have a line-item budget detailing the cost of the activity and the anticipated result in terms of units assisted and number of demolitions. If an applicant intends to contract with another entity to administer NSP awarded funds, the application must identify the entity.

1. Identify Targeted Neighborhoods or Blocks. Applicants must define the neighborhoods to be targeted. For each neighborhood to be targeted:
  - Describe the neighborhood size and boundaries
  - Provide number of residential properties ( owner-occupied and rental)
  - Number of residential properties in foreclosure
  - Number of residential foreclosed properties
  - Number of residential properties that are abandoned or vacant
  - Median family income based on census block data
  - Age of housing stock
  - Change in housing prices in last 5 years (if available)

- Distance to bus routes, transit and or commuter rail,
- Employment opportunities within the neighborhood or within one mile.

Note that applicants assigned funds based on their zip code can only use NSP state funds in zip codes of highest need detailed in Appendix A of this Action Plan. However, applicants may concentrate resources within one or more of those zip codes. Applicants must provide a rationale and data to support the choice of areas for targeting of resources.

2. Activities to be Undertaken and Outcomes. Applicants must describe the activities for which NSP funds will be used and how those activities will contribute to the stabilization of the targeted neighborhoods or blocks, develop new housing opportunities in the targeted neighborhoods or blocks and preserve land for future redevelopment. Effectiveness of the activities to be undertaken can be demonstrated by describing past experience with the activity (either by the applicant or others) and the measurable outcomes. Specific outcomes must be identified. Outcomes should describe the final disposition of property or funds, such as the number of properties the entity intends to hold or reuse, the use to which the redeveloped property will be put, and whether the property will be owner-occupied or rental.

All persons purchasing NSP-assisted homeowner housing must receive at least 8 hours of homebuyer counseling from a HUD-approved housing counseling agency. In addition, applicants intending to use NSP funds for homeownership opportunities for low-income households (below 50% of area median) must describe steps that will be taken to promote successful homeownership, e.g. pre and post-purchase counseling and the costs of such services, and identify the providers of such services and the source of funding for the support services.

Applicants intending to use NSP funds for demolition must describe short-term and long-term plans for the use of the land, including how and who will maintain the vacated property until it is redeveloped and the timeframe for likely redevelopment of the property. Demolition plans should include a strategy for assembling land for redevelopment and not simply demolition on a case-by-case basis. Applicants are encouraged to plan interim community uses for vacant land such as community gardens, playgrounds and parks.

Applicants intending to use NSP funds for land banking must describe how the use of the land bank will facilitate housing affordable to the targeted incomes and how it will assist in stabilizing neighborhoods. Land banks must operate in specific, defined geographic areas.

3. Neighborhood Improvement Efforts. Applicants must describe existing or anticipated targeted improvements efforts to:
  - Stabilize the residential structures,
  - Provide housing opportunities for eligible households,
  - Prevent additional foreclosures,
  - Encourage commercial development,
  - Improve safety,
  - Improve schools,
  - Develop and improve parks and recreation,
  - Improve transportation and streets,
  - Improve landscaping, sidewalks, and medians, and
  - Engage residents in neighborhood stabilization.

4. Partnerships. Applicants should identify collaborating partners to complement and supplement the applicant's expertise and approach in neighborhood stabilization and/or improve the applicant's capacity to meet the expectations of their stabilization plans.

Applicants should identify funding partners to improve their investment in the targeted areas for revitalization in order to maximize housing and neighborhood outcomes. Applicants are expected to consider all funding resources and programs available to them, including those available through utility companies for energy efficiency improvements.

5. Feasibility and Degree of Readiness. Applicants must estimate the number of properties and households with each activity undertaken with NSP funds. Applicants must demonstrate the feasibility of assisting the estimated number of households and properties in a timely fashion. Factors to be evaluated in evaluating feasibility will include: (a) relationships with lending institutions holding foreclosed properties that the applicant may wish to purchase, (b) the relationships with and readiness of contractors to undertake the anticipated rehabilitation and demolition, and (c) identified sources and availability of long-term financing for property acquisition by eligible persons.
6. Income targeting. Applicants must describe how they will ensure that 25.4% of their award will be expended to benefit households with incomes at or below 50% of area median income.
7. Continued affordability. Applicants must describe any continuing affordability restrictions that they may impose beyond the minimum required by Minnesota Housing.
8. Timeframes. Applicants will be required to describe expected outcomes in terms of numbers of commitments entered into for acquiring, rehabilitating or demolishing properties within six months, nine months, and 12 months of selection. Subrecipient's progress in meeting the projected number of properties assisted with awarded funds will be evaluated at regular intervals during the 18 months following selection.

#### **IV. Funding Decisions**

Funding will be awarded based on the extent to which an eligible applicant demonstrates that:

- 1) The funding request is part of a comprehensive plan or strategy to stabilize a neighborhood(s) or blocks including efforts to improve living conditions, preserve affordable housing opportunities, stabilize home values, address public safety, school performance, job creation and other economic development need;
- 2) It is feasible to use the requested funding within the required timeframe;
- 3) The applicant is maximizing opportunities to leverage other resources, both private and public; and
- 4) The identified outcomes are achievable.

Priority will be given to applications that target areas within one-quarter mile of existing or planned transit routes and that promote economic diversity within the targeted areas.

#### **V. Pool Distribution Process**

Time is of the essence, for grant funds must be obligated within 18 months of Minnesota Housing's Grant Agreement signed by the Department of Housing and Urban Development (HUD). Minnesota Housing will sub grant funds to local governments and other qualified entities that:

- 1) Have experience administering CDBG funds and demonstrate capacity;
- 2) Provide substantial impact to the housing market in a geographic area; and

3) Provide evidence of a comprehensive neighborhood stabilization strategy.

In order to assure timely distribution of funds, Minnesota Housing will offer concurrent applications due on January 28, 2009. Should insufficient progress be noted in the obligation of funds, Minnesota Housing may re-allocate resources between subrecipients or use funds directly in order to meet HERA's 18-month timeline.

Initial distribution of funds will occur under four pools concurrently, one non-competitive pool and three competitive pools. Under the non-competitive pool process, NSP entitlement areas can apply for up to the maximum assigned amount in areas identified under Minnesota Housing's funding formula. From a separate pool, eligible applicants from high-need zip codes outside the NSP entitlement areas can apply for funds from each zip codes maximum distribution. If Minnesota Housing receives applications requesting more than the maximum distribution in a zip code, funds will be allocated on a competitive basis. The competitive Metro and Greater Minnesota pools will become available simultaneously for eligible applicants in the 23 high-need counties, as described in Section A of this Action Plan. Minnesota Housing will evaluate both competitive and non-competitive applications for ability to conceive and implement a comprehensive neighborhood stabilization strategy.

If funds are still available and not distributed through the allocation process discussed above (for example, if applicants do not request the full distribution for a zip code), Minnesota Housing will supplement subrecipient allocations on a competitive basis with the remaining funds. The NSP application will have a separate section for subrecipients who wish to compete for a supplemental allocation (if additional funds are available).

Interim evaluations of awardees' performance in the obligation of funds will be conducted at six months, nine months, and 12 months of Minnesota Housing's signing of its grant agreements with subrecipients. If Minnesota Housing deems that progress toward obligating funds is insufficient for meeting the HERA 18-month obligation deadline, Minnesota Housing may reallocate NSP funds between subrecipients or offer direct assistance or award funds directly to project applicants. Should Minnesota Housing offer direct assistance, it may undertake any activity included in this Action Plan.

## **VI. Reporting Requirements/ Evaluation**

Subrecipients will be required to submit actual outcome numbers as compared to projected numbers on at least a quarterly basis.

Success in the use of NSP funds is viewed not merely in the numbers of houses bought, demolished or rehabilitated, but in the extent to which neighborhoods have been restored or stabilized, meeting the criteria of a functioning market. Subrecipients will be required to submit information necessary to evaluate the success of the program.

## **C. DEFINITIONS AND DESCRIPTIONS**

(1) Definition of "blighted structure" in context of state or local law.

Minnesota will allocate its funds to subrecipients in several local government jurisdictions. Though the State of Minnesota does not have a definition of "blighted structure," Minnesota Housing has modified the State's definition of "blighted area" to apply to structures. The State of Minnesota's definition of "blighted area," as modified to define a "blighted structure," follows:

Blighted structure. Blighted structure is one which, by reason of dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light, and sanitary facilities, excessive land coverage,



deleterious land use, or obsolete layout, or any combination of these or other factors, is detrimental to the safety, health, morals, or welfare of the community.

Subrecipients may use either the local jurisdiction's definition of "blighted structure" or Minnesota Housing's definition, and will designate which definition they will use in their application for funding to Minnesota Housing.

(2) Definition of "affordable rents."

Minnesota Housing will adopt the definition of affordable rents that is contained in 24 CFR §92.252(a), minus utility allowances where tenants pay utilities. This definition is consistent with the continued affordability requirements of the same section that Minnesota will adopt for the NSP program.

(3) Continued affordability for NSP assisted housing.

Subrecipients will be required to include in their loan documents the affordability requirements of 24 CFR §92.252(a), (c), (e) and (f), and §92.254. Affordability requirements for rental properties will be specified in the loan and/or mortgage documents, and a deed restriction or covenant similar to the HOME program. Mortgages and deed restrictions or covenants will be recorded against the property and become part of the public record.

Affordability of owner-occupied housing will be enforced by either recapture or resale restrictions. Each subrecipient will design its own recapture or resale provisions, which will be applied uniformly within their program. NSP may fund rehabilitation of units that are being purchased by individuals, or are being rehabilitated by a legal entity that will sell the property to a homebuyer. Although NSP may not always finance both the purchase and rehabilitation, Minnesota Housing will consider these activities to fall under the affordability requirements of §92.254(a) "Acquisition with or without rehabilitation." To meet the requirements of the NSP statute and Notice, rehabilitation funding must be provided simultaneously with the purchase financing.

Forms implementing continued affordability must be reviewed by Minnesota Housing before being implemented.

(4) Housing rehabilitation standards that will apply to NSP assisted activities:

Assessment: In addition to property assessment standards already required by local, state, and federal regulations properties shall also be assessed for the following: (Results of all Assessment activities shall be disclosed to the purchaser prior to sale.)

1. Any visible mold or water infiltration issues.
2. Compliance with smoke detectors, carbon monoxide detection, and GFCI receptacle protection as noted below in Required Rehabilitation Activities.
3. Remaining life expectancy of major building components such as roof, siding, windows, mechanical systems and electrical systems, as well as any immediate cosmetic improvements necessary in order to sell or rent the residential property.

Building Codes and Local Housing Standards: NSP-assisted housing that is rehabilitated must be rehabilitated in accordance with the State Building, Electrical, and Plumbing Codes. Upon completion, the housing must be in compliance with local housing standards. If local housing standards do not exist, the housing must meet the minimum housing quality standards (HQS) of 24 CFR 982.401.

Where local housing standards exist, subrecipients must identify the standards that will apply to their projects and provide a copy to Minnesota Housing. As projects are rehabilitated, the subrecipients must document how each project meets the local standard, or HQS if there is no local standard, for Minnesota Housing's monitoring review.

Subrecipients must identify in their application for NSP funds whether they will permit individuals purchasing homes for their own occupancy to conduct or contract for rehabilitation, the date by which such homebuyer rehabilitation must be completed, how the subrecipient will monitor progress of the rehabilitation, and the remedies the subrecipient will take if rehabilitation is not completed by the deadline.

**Required Rehabilitation Activities:** In addition to remediation of any deficiencies resulting from property assessment required by local, state, and federal regulations, rehabilitation activities shall include the following:

1. Mold and/or water infiltration mitigation, if mold or water infiltration is observed during the Assessment. Any moldy materials that cannot be properly cleaned must be removed.
2. Installation of U.L. approved smoke detection in all locations as required for new construction. At least one smoke detector must be hardwired (preferably located near sleeping rooms).
3. Installation of GFCI receptacle protection in locations as required for new construction.
4. Installation of carbon monoxide detection equipment in accordance with the 2006 state legislation.
5. Application of relevant Green Communities Criteria with the Minnesota Overlay to any building component that is modified or altered during a financed activity; including selecting Energy Star qualified products.

Rehabilitation or stabilization of hazardous materials such as lead-based paint and asbestos must be in accordance with applicable Federal, State, and Local laws, regulations, and ordinances.

**New Construction:** Newly constructed housing must comply with the Minnesota Overlay to Green Communities Criteria for use with the Green Communities Criteria (Includes completing Intended Method of Satisfying Green Criteria Form and Certification – refer to Minnesota Housing's Website)

**Demolition:** If a site will not be redeveloped within three months after demolition, the subrecipient must ensure that soil on the site does not pose a health hazard to the community by either verifying that the soil meets lead clearance levels, removing and replacing the soil with soil that meets clearance levels, or covering the soil with sod or some other barrier to prevent the disbursement of lead dust.

## **D. LOW INCOME TARGETING – INCOME RESTRICTIONS**

At least \$9,712,483 of the grant funds administered by Minnesota Housing and 25% of program income will be used to house individuals and families with incomes not exceeding 50% of AMI.

Activities funded with NSP funds must benefit households with incomes at or below 120% of area median income (low, moderate and middle income households). For activities that do not benefit individual households, the activity must benefit areas in which at least 51% of the residents have incomes at or below 120% of area median income. Applicants should consult HUD's website at:

[http://www.huduser.org/publications/commdevl/nsp\\_target.html](http://www.huduser.org/publications/commdevl/nsp_target.html)

for information on block group data on incomes to determine the incomes of the residents of the area in which the activities are to be undertaken.

Each subrecipient must use at least 25.4% of its funding award to house individuals and families with incomes at or below 50% of area median income.

Also See Section G below for additional information required regarding specific activities.

## **E. ACQUISITIONS AND RELOCATIONS**

Minnesota Housing will award its NSP funds to subrecipients. 3.8 million of the NSP funds granted to Minnesota Housing will be allocated to administration and planning.

Nearly \$35 million of the funds granted to Minnesota Housing will be used for projects. Based on the expected average per unit cost to NSP of \$50,000, Minnesota Housing anticipates that up to 700 units will be assisted. Of those 700 units, at least 194 units will be available for households at or below 50% of AMI. This estimate assumes that all of the \$35 million will be used for value and affordability gap assistance. If funds are used for other purposes, such as loans or land banking, the number of units will be lower.

Demolition or conversion of low-, moderate- and middle-income dwelling units may be deemed an important part of neighborhood stabilization by subrecipients. Until subrecipients apply for Minnesota Housing NSP funds, Minnesota Housing is unable to anticipate the extent to which dwelling units may be demolished or converted.

## **F. PUBLIC COMMENT**

### Response to Public Comments State of Minnesota Substantial Amendment to its 2008 Action Plan Neighborhood Stabilization Program

On November 7, 2008, Minnesota Housing mailed its draft substantial amendment to the 2008 action plan to 48 depositories to be made available for public comment, and posted it and a notice of the draft's availability on its website.

On November 10, 2008, Minnesota Housing emailed a notice of availability of the substantial amendment and public comment period and public hearing to 733 organizations and individuals who had signed up for "E-NEWS Alert," an email publication of items of interest to Minnesota Housing's stakeholders. Official legal notices were published in the November 3, 2008, State Register and the Sunday, November 2, statewide edition of the Minneapolis Star Tribune.

Minnesota Housing received 35 written comments; 37 people attended the public hearing on November 13, and 6 made public comments. Minnesota Housing completed its public comment period at 10:00 a.m., Monday, November 24, 2008.

The following summarizes the comments received and responds to each.

## **NEEDS ASSESSMENT AND FUNDING FORMULA**

In developing its methodology for selecting data sources, assessing need, and distributing funds, Minnesota Housing followed several principals:

- The methodology should be data driven. A fair and objective needs assessment and funding formula must be based on accurate data collected consistently across the state. It cannot be based on opinions, anecdotes, and partial or incomplete data.

- Funds should be directed to areas of greatest need
- Areas heavily impacted by the foreclosure crisis should have the opportunity receive a direct assignment of funds or compete for funds.
- The foreclosure crisis is occurring in both the Twin Cities Metro Area and Greater Minnesota.
- The area of assessment should be the smallest unit of geography for which accurate data is available statewide so that funds are targeted and will produce the largest impact possible.

Minnesota Housing's goal was to implement a fair, objective, and defensible approach.

## **Factors to Include in Needs and Funding Assessment**

**Comment Summary: Minnesota Housing should include rental properties in its analysis of need and funding.** [City of St. Paul, Mayor Coleman]

This comment came from the City and St. Paul after Minnesota Housing shared a preliminary analysis with this partner prior to the official comment period. Their assessment of the proposed methodology showed a simplifying assumption that Minnesota Housing made about rental properties was inadequate. As a result, Minnesota Housing changed its methodology to fully incorporate rental housing. These changes were reflected in the Action Plan and methodology memo that was released for public comment on November 7, 2008

**Comment Summary: Minnesota Housing should include vacant homes or properties in its need and funding analysis.** [City of St. Paul, Mayor Coleman]

As Minnesota Housing states in its Action Plan, "Minnesota Housing considered, but did not use, the U.S. Postal Service's data on vacant properties for several reasons. (This data has been made available by HUD.) First, when Minnesota Housing contacted HUD's primary analyst responsible for this data, he provided a list of concerns and caveats, and concluded with the statement, 'As you can see this data is fraught with issues.' According to the HUD analyst, the 'data are more dependable in urban areas.' The postal service tracks vacancies on urban and rural postal routes differently. In addition, the Postal Service vacancy data provided by HUD does not include structures that have been abandoned for an extended period of time. Given these caveats, Minnesota Housing declines to use this data without a mechanism for validating its accuracy throughout the state.

Besides the Postal Service data, Minnesota Housing is unaware of any other statewide database on vacant properties. Obtaining water shut-off data from each city was suggested. It would have taken considerable time and effort to collect this data consistently across the entire state, which was not feasible considering NSP's timeframe.

**Comment Summary: Minnesota Housing should eliminate or reduce the importance of the number of alt-A loans in its need and funding analysis.** [City of St. Paul]

Minnesota Housing believes it has handled alt-A loans appropriately. While the number of alt-A loans in foreclosure or delinquency is a factor in the need and funding analysis, the number of alt-A loans made in a zip code is not. Only the number of subprime loans made in a zip code is a factor.

**Comment Summary: Use the poverty rate in a zip code as an adjustment factor in the funding formula.** [City of St. Paul, Mayor Coleman]

Minnesota Housing already has a zip code's median income as an adjustment factor in the funding formula. While median income and poverty rate are not the same measure, Minnesota Housing believes that it has adequately captured a community's resource through the median income measure.

**Comment Summary: Place greater weight on the adjustments for housing stock age and income.** [City of St. Paul, Mayor Coleman]

Minnesota Housing already provides a substantial adjustment for these two factors. Based on Minnesota Housing's adjustments for housing stock age and income, a zip code can receive up to a 30 percent increase or decrease in its assignment of a maximum distribution. In addition, another adjustment (up to 20 percent) is made for each zip code's concentration of problem loans.

**Comment Summary: By using median housing stock age and median income in its assessment, Minnesota Housing changes the meaning of greatest need used by HUD.** [Dakota County]

In distributing NSP funds, HUD requires grantees to focus on "areas with the greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the State or unit of general local government as likely to face a significant rise in the rate of home foreclosures. The grantee's narrative must address the three need categories in the NSP statute, but the grantee may also consider other need categories." (Emphasis added by Minnesota Housing). HUD clearly gives Minnesota Housing the authority to consider and use other indicators of need.

**Comment Summary: Housing age is not a good indicator of housing condition and quality.** [City of Brooklyn Park]

Minnesota Housing agrees that housing stock age is not a perfect measure of housing condition and quality, but it is the best proxy for which Minnesota Housing could readily obtain data statewide.

**Comment Summary: With respect to median income from the 2000 Census, use more current data.** [MICAH]

While more current data is available for larger geographies, the most current income data at the zip code level is from the 2000 Census.

**Comment Summary: Minnesota Housing should consider information significantly or uniquely impacting the stability of Minneapolis neighborhoods, such as the percentage decline in property values, the level of fraudulent mortgage activity, and the disproportionate effect of foreclosures on people of color.** [Mayor Rybak and Council President Johnson]

As discussed elsewhere in the NSP Action Plan and this document, Minnesota Housing considered a wide range of need factors and data sources. However, to be included in the need and funding analysis, the data needed to be accurate and collected consistently across the state. We excluded a need factor if the data did not meet this standard. For example, we tried to find timely data on housing price changes and contacted both the Regional Multiple Listing Service and the Minneapolis Area Association of Realtors to access data on sales prices. However, the data only applies to 20 of the state's 87 counties, and access to the data was limited.

Minnesota Housing is directing NSP funds to the areas of the state that have been most heavily impacted by the foreclosure crisis. Data indicates that many of these communities are largely people of color.

Consequently, these communities are receiving a substantial share of the NSP funding. For example, zip code 55411 in North Minneapolis is receiving the largest assignment of funds, and this zip is 80 percent people of color, according to the 2000 Census.

## **Design of Needs and Funding Assessment**

**Comment Summary: Minnesota Housing should use a smaller geography, if possible.** [City of St. Paul]

Zip code geography is the smallest unit of geography for which Minnesota Housing has accurate and consistent data statewide. As described in the Action Plan, Minnesota Housing considered, but did not use, census tract data from HUD. Both HUD and Minnesota Housing had concerns about the validity of this data in Minnesota.

**Comment Summary: By focusing on the top 120 zip codes, Minnesota Housing is not distributing funds to areas of greatest need. The zip code ranked 120<sup>th</sup> has a need score that is only 25 percent higher than the state average.** [Housing Preservation Project, Northside Residents Redevelopment Council, Jordan Area Community Council, Harrison Neighborhood Association, Senator Higgins]

Minnesota Housing is clearly focusing on the zip codes of greatest need. Minnesota has 872 zip codes, and only 37 of these zip codes are being assigned a maximum distribution of NSP funds from Minnesota Housing. Thus, only 4 percent of the state's zip codes are receiving a direct assignment of funds. These 37 zip codes account for 19 percent of the state's households and 45 percent of the state's subprime and alt-a loans in foreclosure or REO. Minnesota Housing is focusing on the 4 percent of the zip codes that account for 45 percent of the problem.

While Minnesota Housing initially assigned funds to the top 120 zip codes, 83 of these zip codes would have received an assignment of funds that was too small to have a substantial impact on neighborhoods. Thus, Minnesota Housing will pool these funds and distribute them on a competitive basis to ensure that they go to high need areas and will have a substantial impact on neighborhoods.

It is correct that the zip code ranked 120<sup>th</sup> has a need score of 125 percent, which is 25 percent higher than the need score for the state as a whole. However, a distinction needs to be made between the need score for the state as a whole and the need score for the median zip code. The median need score among the state's zip codes is 44 percent. Thus, the zip code with the 120<sup>th</sup> highest need score has nearly three times as many problem loans as the typical or median zip code.

**Comment Summary: By balancing several factors in the distribution of NSP funds, Minnesota is not distributing funds to areas of greatest need. Minnesota Housing should focus NSP on the top 40 zip codes (which has a need score cut off of 200%) rather than the top 120 zip codes (which has a need score cut off of 125%).** [Housing Preservation Project, Northside Residents Redevelopment Council, Jordan Area Community Council, Harrison Neighborhood Association, Senator Higgins]

Minnesota Housing is distributing NSP funds to areas of greatest need, and it is doing so in a fair and equitable fashion. As stated in Minnesota's NSP action plan, "From Minnesota's 872 zip codes, Minnesota Housing identified the 120 zip codes with the greatest need for assistance. These 120 zip codes account for just over 57 percent of all Minnesota's subprime and alt-A loans in foreclosure or REO. Minnesota Housing chose the 120 cut off to balance four factors: (1) targeting funds to the highest-need zip codes, (2) capturing in the selected zip codes at least 50 percent of the state's subprime and alt-A loans

in foreclosure or REO, (3) balancing the distribution of funds between the Twin Cities metro area and Greater Minnesota, and (4) assigning roughly two-thirds of the funds directly to zip codes and one-third on a competitive basis.”

Each of these four factors addresses an important point. First, after a systematic and statewide assessment, Minnesota Housing targeted its assignment of maximum distributions to a small fraction of the state’s zip codes. As discussed in the response to the previous comment, Minnesota Housing initially targeted resources to the 120 zip codes in greatest need (which represent about 14 percent of all zips). In addition, only 37 (or 4 percent of all zip codes) will receive a maximum distribution.

Second, the fact that over 57 percent of the state’s subprime and alt-A loans in foreclosure or REO are occurring in 120 zip codes shows that the foreclosure crisis is heavily concentrated in certain parts of the state, and Minnesota Housing wanted to ensure heavily impacted areas will have access to either a direct assignment of funds or a competitive pool of funds.

Third, the foreclosure crisis is occurring in Greater Minnesota and not just the Twin Cities metro area. According to HousingLink data, during 2007 and the first three quarters of 2008, 35 percent of sheriff sales occurred in Greater Minnesota. In fact, the five counties with the largest number of sheriff’s sales per 100 households are all located in Greater Minnesota (Sherburne, Mille Lacs, Wright, Chisago, and Pine). Under Minnesota Housing’s current formula, between 19 and 24 percent of the initial assignment of funds is available to Greater Minnesota. While Greater Minnesota is receiving a smaller share of the NSP funding than the Twin Cities metro area in relation to its share of sheriff’s sales, Minnesota Housing wanted to ensure that a meaningful share of the funding is available to Greater Minnesota to address the foreclosure crisis in that part of the state.

Fourth, Minnesota Housing has created a competitive pool from which communities in one of the 23 highest-need counties can compete for funds. The purpose of the NSP is to stabilize neighborhoods, and in some cases, zip codes are too large of a geographic area to isolate and identify neighborhoods being heavily impacted by the foreclosure crisis. This can occur if one part of a zip code has a very high concentration of foreclosures, while the other parts of the zip code have had very few foreclosures. In aggregate, this zip code would probably not rank high enough to be in the top 120 highest-need zip codes. To ensure that heavily impacted neighborhoods in these types of zip codes have access to NPS funds, Minnesota Housing created the competitive pool. In fact, a few of the people who suggested that Minnesota Housing focus on the top 40 zip codes (rather than the top 120) also pointed out that zip code 55405 is not identified as a high need zip code because it covers both North Minneapolis (which has a very high concentration of foreclosures) and the affluent Kenwood area (which has a much lower concentration). Minnesota Housing created the competitive pools so that the neighborhoods in the North Minneapolis portion of 55405 and other similarly situated neighborhoods could potentially have access to funding on a competitive basis. The competitive pool needs to be sufficiently large to meet these needs.

For the four reasons listed, Minnesota Housing chose the 120 zip code cut off. If Minnesota Housing used a 40 zip code cut off, fewer funds would be available for Greater Minnesota and the competitive pool. In fact, the size of the competitive pool would drop from \$10.9 million to \$3.2 million.

**Comment Summary: Minnesota Housing should not deduct from its allocation to NSP entitlement areas the funds that these entitlement areas will receive directly from HUD. HUD rules state, “Therefore, states receiving allocations under this notice may distribute funds to or within any jurisdiction within the state that is among those with the greatest need, even if the jurisdiction is among those receiving a direct formula allocation of funds from HUD under the regular CDBG program or this notice...the state is required to distribute funds without regard to local government**

**status under any other CDBG program and must use funds in entitlement jurisdictions if they are identified as areas of greatest need, regardless of whether the entitlement receives its own NSP allocation.” [Housing Preservation Project, City of St. Paul , Mayor Coleman]**

Minnesota is complying with HUD’s requirements. When determining high need areas, Minnesota Housing did not exclude the NSP entitlement areas because they were already receiving funds from HUD. Minnesota Housing is assigning a maximum distribution of funds to four of the five NSP entitlement areas, and the fifth (Dakota County) is eligible to receive funds from the competitive pool.

Minnesota Housing believes that the most appropriate, equitable, and fair methodology for distributing the NSP funds is to: (1) assess the level of need in each area of the state, (2) identify the areas of greatest need, and (3) distribute funding to the areas of greatest need based on the level of need. NSP is a single program, and the level of funding that each area receives should incorporate the funding coming directly from HUD and from Minnesota Housing. In aggregate, Minnesota will receive \$57.8 million under NSP. Of these funds, HUD has already assigned \$18.9 million to five localities (Minneapolis, St. Paul, Anoka, Dakota, and Hennepin), but these communities are eligible to receive additional funding from Minnesota Housing. To account for this, Minnesota Housing first determined how much should be assigned in aggregate (from the \$57.8 million) to the zip codes in each of these communities. It then deducted the amount HUD has already assigned to them to compute the additional amount that these communities will be eligible to receive from Minnesota Housing.

Some areas of the state were not eligible to receive funding directly from HUD because they are not CDBG entitlement areas. The fact that a community is not a CDBG entitlement community makes it no less needy. In addition, some CDBG entitlement areas did not directly receive NPS funding from HUD because their allocation would have been less than \$2 million. These funds were passed on to the state for distribution, not because those communities were not needy but because HUD was concerned about administrative capacity. If Minnesota Housing did not factor in its funding formula the funds that HUD is distributing directly to NSP entitlement areas, NSP entitlement areas would receive more funding than their measured need indicates, and non-NSP entitlement areas would receive less funding than their measured need indicates.

Some NSP entitlement areas believe that they will receive more funding if Minnesota Housing takes the funding provided directly by HUD to NSP entitlement areas out of its funding formula at the front end rather than the back end. This is not necessarily the case. Under its current funding formula, Minnesota starts with the full \$58.8 million allocated to Minnesota and then deducts at the end of the allocation process the \$18.9 million that HUD will provide directly to the NSP entitlement areas. If Minnesota were to subtract the \$18.9 million at the front end and base its allocation on \$38.8 million, each zip code’s allocation would drop by about one-third. Furthermore, with the lower allocation, 16 of the 37 zip codes that used to receive more than \$500,000 will now receive less than \$500,000. These funds will go into the competitive pool for counties rather than going to the zip codes. Some NSP entitlement areas would receive more funding under that alternative allocation process and others would receive less.

**Comment Summary: The limitations on the data that Minnesota Housing has been able to collect statewide in a uniform and timely fashion has potentially prevented the agency from measuring the disproportionate impact that the foreclosure crisis has had on communities of color. This could be addressed by (1) adding additional factors, (2) not deducting the funds already received by the entitlement communities, (3) focusing on the top 40 rather than top 120 zip codes, or (4) awarding other funds controlled by the agency to those neighborhoods whose relative need was not fully reflected in the formula. [Family Housing Fund, Harrison Neighborhood Association]**



Minnesota Housing meets all the allocation requirements outlined by HUD. It has focused NSP resource on “areas with the greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the State or unit of general local government as likely to face a significant rise in the rate of home foreclosures.” Minnesota Housing’s needs assessment and funding formula directly addresses these three factors. In addition, Minnesota Housing added two additional factors: median income and age of the housing stock. As the NSP plan outlines, these adjustments directed additional funds to areas like zip code 55411 in North Minneapolis.

A fair and objective needs assessment and funding formula must be based on uniform and consistent data statewide. It cannot be based on partial or incomplete data, anecdotes, and opinions. Minnesota Housing’s goal was to implement a fair, objective, and defensible approach that met the needs of all Minnesotans.

Minnesota Housing acknowledges that some communities will need resources beyond what is available at this point from the federal government. These communities may apply for additional funds through other Minnesota Housing programs, such as the Challenge Fund.

**Comment Summary: Minnesota Housing’s distribution methodology does not affirmatively further fair housing.** [Housing Preservation Project, Harrison Neighborhood Association]

HERA (section 2301 (c)(2)) requires Minnesota Housing to “give priority emphasis and consideration to those metropolitan areas, metropolitan cities, urban areas, rural areas, low- and moderate-income areas, and other areas with the greatest need” when distributing NSP funds. The statute goes on to define factors that must be considered when determining “greatest need” to include those with the greatest percentage of home foreclosures, the highest percentage of homes financed with subprime mortgage related loans, and likely to face a significant rise in the rate of foreclosures. Racial or ethnic composition of the neighborhood is not identified as either a required or optional factor to be considered. A thorough description of the process Minnesota Housing used to allocate NSP funds to areas of greatest need may be found in the NSP Action Plan.

Fair housing requires reaching out to and fairly housing people of minority races or ethnicity, regardless of the location of the housing. Substantial amounts of NSP funds will be used in areas of high concentrations of minority households; areas with lesser concentrations will also receive NSP funds. But all NSP applicants must describe their marketing plans, including plans to reach out to households of color, to ensure that they affirmatively further fair housing.

**Comment Summary: Minnesota Housing’s analysis did not adequately consider the needs in zip 55130, which is a new zip code in St. Paul.** [City of St. Paul, Eastside Neighborhood Development Company]

In conducting its analysis, Minnesota Housing used zip code data on households from the 2000 Census, but the Postal Service has added a few zip codes since then. Consequently, Minnesota Housing found 4 zip codes statewide (out of 872) for which the Federal Reserve Bank’s LoanPerformance reports provide foreclosure data but the Census Bureau did not provide data on the number of households, which was needed to be included in the needs assessment. Zip code 55130 is one of these four new zip codes.

While Minnesota Housing has confidence in the validity of the data it has collected and analyzed, the data does have its nuances and imperfections. It would be impossible (or extraordinarily costly and time consuming) to correct for these imperfections on systematic and statewide basis. For example, some have suggested that Minnesota Housing combine the LoanPerformance data for 55130 and 55101 because 55130 appears to be an area that was “carved out” of the northern portion of the previous version of

55101. However, the City of St. Paul acknowledges, “we don’t have a shapefile of [55130] to show geographically the precise boundaries between 55130 and 55101 that exist today.” Unless the issue of new zip codes can be addressed accurately and systematically across the state, Minnesota Housing is unwilling to make ad hoc adjustments on an individual zip code basis. Minnesota Housing needs a consistent and fair methodology across the entire state. In addition, as a test, Minnesota Housing combined the problems loans from 55130 with 55101. The additional problem loans from 55130 increased St. Paul’s maximum distribution by only \$100,000. The issue of new zip codes does not significantly affect the distribution of NSP funds.

Furthermore, St. Paul is eligible to compete for funds to serve zip code 55130. Minnesota Housing created the competitive pool largely to make funds available to high-need neighborhoods missed by the zip code analysis.

**Comment Summary: Expand counties eligible to apply for competitive funding to include counties that have a zip code that ranks high on LISC’s list of high-need zip codes in Minnesota.** [Greater Minnesota Housing Fund, City of Buffalo]

Minnesota Housing conducted a comparison of its list of high need zip codes with those identified by LISC. The two lists are quite similar. When comparing the 37 zip codes being assigned a maximum distribution by Minnesota Housing with LISC’s top 37 zip codes, 28 zip codes are on both lists. Of the 9 zip codes on LISC’s list but not on Minnesota Housing’s list, 6 are in counties where communities are eligible to apply for competitive NPS funds, while 3 are not. These 3 zip codes are in the cities of Austin (Mower County), Albert Lea (Freeborn County), and Owatonna (Steele County). According to the Federal Reserve Bank’s LoanPerformance reports, each of these zip codes has a relatively large number of subprime and alt-A loans in foreclosure and REO (50 or more), but they also each have a relatively large number of households (9,000 to 12,000). Thus, according to Minnesota Housing’s analysis, each zip code’s concentration of problem loans is not sufficient to be classified as “highest-need.” Based on a preliminary assessment of LISC’s methodology, Minnesota Housing places greater weight on the concentration of problems loans than on the number of problem loans than LISC appears to do.

Furthermore, Mower, Freeborn, and Steele counties did not rank in the top 19 counties in the number or concentration of sheriff’s sales in Minnesota. Thus, Minnesota Housing has not classified them as high need counties.

Minnesota Housing has chosen to not use alternative data sources or needs assessments on an ad hoc basis. Thus, Minnesota Housing will not expand its list of counties eligible for competitive funds. However, foreclosure remediation is not only an eligible use of funding under Minnesota Housing’s Challenge Fund, but it is also priority. The cities of Austin, Albert Lea, and Owatonna can apply for Challenge funding through a separate application process to address their foreclosure problem.

**Comment Summary: Minnesota Housing should revise its funding allocation because it does not give adequate consideration to foreclosures in Dakota County. Dakota County is expected to have the third highest number of foreclosures in the state this year, with an expected increase of 64 percent over last year. In addition, out of 1,201 eligible state and local governments nationwide, Dakota was one of 308 to receive a direct NSP allocation from HUD. HUD also allocated similar amounts to Dakota and Anoka counties; yet Minnesota Housing is providing additional funding to Anoka, but not Dakota County. Furthermore, Dakota is expected 2,637 foreclosures in 2008, and Anoka is expected only 2,268. Minnesota Housing should use county foreclosure data rather than zip code data in its analysis. Minnesota Housing should also use HUD’s funding proportion to grant additional funds to the NSP entitlement areas.** [Dakota County]

Minnesota Housing is very confident in the validity of the data that it is used in its analysis. As explained in the NSP Action Plan, data from the Federal Reserve LoanPerformance reports on foreclosures and REOs is highly correlated with sheriff sales data from HousingLink. According to HousingLink, Anoka County is a higher need county than Dakota County. From 2007 through the 3<sup>rd</sup> Quarter of 2008, Anoka County has had 3,409 sheriff's sales, while Dakota has had 3,241. In addition, the differential is growing, during the first three quarters of 2008, Anoka County has had 1,729 sheriff's sales, while Dakota has had 1,631. (The 2008 foreclosure forecasts discussed in the comment above are from HousingLink. They were developed in April of 2008 and based on projections off of sheriff's sales from the 1<sup>st</sup> quarter of 2008. During the 1<sup>st</sup> quarter of 2008, Dakota County did have more sheriff's sales than Anoka County, but in both the 2<sup>nd</sup> and 3<sup>rd</sup> quarters, Anoka County had more.) Finally, from 2007 through the 3<sup>rd</sup> quarter of 2008, Anoka County has had more sheriff sales per 100 households than Dakota County – 2.84 versus 2.16.

For data accuracy reasons, Minnesota Housing decided not to use foreclosure estimates developed by HUD. While HUD based its assessment on estimated foreclosures, Minnesota Housing based its assessment on actual foreclosures. HUD even states it is concerned with the accuracy of its foreclosure estimates in Minnesota and encourages states like Minnesota to use other sources. See the discussion of possible data sources in the methodology appendix of the NSP Action Plan for more details.

Because NSP is about neighborhood stabilization, Minnesota Housing believes that it was far more appropriate to assess need on a zip code basis, rather than a county basis. Zip codes are much closer neighborhood geographies than counties.

If Dakota County, which is one of the 23 high-need counties, believes that it needs additional funding to address the foreclosure crisis, it can apply to Minnesota Housing for competitive funds.

## **Funding is Insufficient to Meet Needs**

**Comment Summary: Minnesota Housing's funding of neighborhoods in Minneapolis and St. Paul is insufficient to meet the needs of these two core cities. These neighborhoods have been disproportionately affected by foreclosures and vacant properties.** [Metropolitan Consortium of Community Developers, City of St. Paul]

Minnesota Housing's distribution formula clearly takes into consideration the impact that the foreclosure crisis has had on Minneapolis and St. Paul, eight of the nine zip codes receiving the largest aggregate distribution (Minnesota Housing and HUD funding) fall at least partially in one of the two cities. Minnesota Housing agrees that the foreclosure crisis is so extensive that even more assistance is needed in these and other areas around the state. Other areas of the state also have a need. See the next comment concerning Greater Minnesota.

**Comment Summary: More rural and less populated counties, towns, and regions have been left completely out of the funding, while the impact of the foreclosure crisis has been no less devastating.** [Jon Ford, President of the Minnesota Chapter of the National Association of Housing and Redevelopment Officials]

The foreclosure crisis is a statewide problem, but federal policy requires Minnesota Housing to give priority to areas of greatest need, which we have done. We are unable to serve all areas of need. Furthermore, we allow communities in any one of the 23 highest-need counties to identify neighborhoods

with high concentrations of foreclosed and abandoned properties, justify why these neighborhoods are areas of greatest need, and then compete for funds. Many of these counties are rural and have less populated towns.

**Comment Summary: Communities, such as Isanti, need funding to address the foreclosure crisis. Moving these resources to Minneapolis and other core communities would not allow our policy makers the opportunity to consider such funding.** [City of Isanti]

See response from previous comment.

**Comment Summary: The funding available is not sufficient to meet the needs in Duluth.** [Duluth Affordable Housing Coalition]

As stated in earlier comments, NSP funding is insufficient to meet all the needs. Minnesota Housing targeted its funding to the areas of greatest need, and these areas will need to do even more targeting to specific neighborhoods and blocks.

## **Funding of Cities Within NSP Entitlement Counties**

**Comment Summary: The funds in Table 4a are available to what communities? Who can apply to be a subrecipient?** [City of Brooklyn Park]

Minnesota Housing will distribute the funds in Table 4a to the respective NSP entitlement area. These funds can only be used in the zip codes listed in Table 4a, but the NSP entitlement area will have the discretion to concentrate the funding in certain zip codes or portions of zip codes. Cities within an NSP entitlement county will need to work with their county to access funds.

**Comment Summary: How does Minnesota Housing plan to allocate the funds to subrecipients when the zip codes split across cities, as occurs in zip codes 55428 and 55429?** [City of Brooklyn Park]

Zip codes 55428 and 55429 are in Hennepin County, and Hennepin County will be the subrecipient for the maximum distribution for these two zip codes (contingent upon an acceptable application). It will be up to Hennepin County to decide how to allocate these funds among the cities in these zip codes.

**Comment Summary: How will Minnesota Housing monitor that subrecipients are actually using the funds in the designated zip codes?** [City of Brooklyn Park]

Subrecipients will be required to describe the geography in which they will operate their NSP programs, and Minnesota Housing staff will confirm that the properties that are being assisted with NSP funds are located within those geographies.

## **Collapsing Funding Pools**

**Comment Summary: When Minnesota Housing collapses the funding pools into a single pool after February 2009, keep separate pools for Greater Minnesota and Metro Area for a few months.** [Greater Minnesota Housing Fund, City of Buffalo, City of St. Michael, City of Elk River]

Time is of the essence for this program. Minnesota needs to get funding out the door and into areas of greatest needs as soon as possible. If Minnesota Housing keeps separate funding pools for Greater Minnesota and the Metro Area after February, it risks being unable to get all the funds under contract in 18 months.

In fact, the final NSP Action plan submitted to HUD has a process for allocating all the funds through the February funding round with no funds left over for later funding. This is change from the draft plan distributed for public comment on November 7, 2008.

## **Public Access to Data**

**Comment Summary: The raw data used to calculate each zip code's need score and funding level is not available to the public for review.** [Housing Preservation Project]

In its analysis, Minnesota Housing used proprietary data that the Federal Reserve Bank has obtained from First American LoanPerformance. While using proprietary data is not ideal, Minnesota Housing had to balance this against using the best available data to identify neighborhoods of greatest need to ensure that NSP funding will be effectively targeted and used. We decided that program performance was our top priority. Obviously, public access and transparency is important for any public program. To ensure that our process and methodology was as transparent as possible, we provided a very detailed and precise explanation of how we calculated need scores and funding allocations in the NSP Action Plan. We also provided the need score and funding allocation for each zip code in the state. Furthermore, the Federal Reserve Bank is willing to share this data with other parties if an acceptable request is received. The request involves explaining why an entity needs the data and how it will use the data. The requesting entity also needs to promise to not share the data with other parties. Minnesota Housing does not know the standards that the Federal Reserve Bank uses when evaluating requests for the data, but the Bank seems open to sharing it. They have already shared it with several entities in Minnesota, including counties, cities, and housing organizations. Some of the entities that already receive the LoanPerformance data have access to the raw data that Minnesota Housing used in its calculations and the opportunity to verify the calculations.

## **PROGRAM DESIGN**

### **Eligible Participants/Applications to Minnesota Housing**

**Comment Summary: Minnesota Housing should extend the application deadline to accommodate potential applicants that only recently became aware of the NSP funds.** [Greater Minnesota Housing Fund, City of St. Michael, City of Big Lake, Minnesota Housing Partnership, City of Buffalo]

Minnesota Housing will extend the application deadline to Wednesday, January 28, 2009. An extension beyond January 28 would require a delay in the Minnesota Housing Board's NSP funding decisions until late March. If HUD executes the grant agreement in January as planned and selections are not made until late March, the agency and its subrecipients will have only 16 months to obligate their funds to projects. Minnesota Housing expects that cities and counties that have been monitoring the foreclosure crisis in their jurisdictions and considering approaches to remedy it are more likely to have the capacity and readiness to undertake the NSP program and will be capable of assembling qualified applications.

**Comment Summary: Minnesota Housing should be flexible in its deadline for application submissions because neighborhood stabilization plans may require governing board approvals.** [Greater Minnesota Housing Fund]

Minnesota Housing will accept this comment and amend its action plan to accept applications submitted by January 28 without governing board approvals. Their selection will be contingent on receiving governing board approvals before executing the grant agreement.

**Comment Summary: Minnesota Housing's action plan is inconsistent in identifying whether nonprofit organizations could apply for NSP funds from Minnesota Housing.** [Metropolitan Interfaith Council on Affordable Housing]

The activity section of the action plan erroneously included nonprofit organizations as eligible NSP applicants and has been corrected to permit grants from Minnesota Housing only to local governments. Local governments are free to consider applications from nonprofit organizations.

## **Rehabilitation Standards**

**Comment Summary: Minnesota Housing should take steps to protect residents, workers, and the neighborhood from hazards resulting from improperly identified or remediated lead-based paint, asbestos, and mold.** [Institute for Environmental Assessment]

Lead-based paint requirements of 24 CFR part 35 will apply to applicable NSP-funded activities. However, part 35 does not apply to demolition paid with federal funds. Therefore, Minnesota Housing will amend its NSP rehabilitation standards to require that upon completion of demolition the soil is either tested and verified to meet lead clearance levels, the soil is removed and replaced with clean soil, or it is covered with sod or some other barrier.

Minnesota Housing was encouraged to adopt the National Emission Standards for Hazardous Air Pollutants (NESHAP) when NSP funds will be used for demolition. The NESHAP regulations apply to demolition of properties with more than four units, and to single-unit properties in certain limited situations. Minnesota Housing will not adopt NESHAP for properties with four or fewer units to not unduly increase costs, but will require that asbestos be addressed in rehabilitation and demolition according to applicable State, Federal, or Local laws.

Minnesota Housing was encouraged to adopt standardized rules to address mold issues. There are no state or federal standards for testing and remediating mold. However, Minnesota Housing's NSP rehabilitation standards will be amended to require that where mold is found, it must be removed and its cause identified and corrected during rehabilitation.

**Comment Summary: Minnesota Housing should require third party assessments of energy use and conservation approaches. One comment suggested a very specific approach to energy conservation that requires: (1) careful building assessment by a third party who is knowledgeable in building science; (2) careful installation of identified measures; and, (3) post-improvement verification.** [University of Minnesota Cold Climate Housing Program, Neighborhoods Energy Connection, Minnesota Green, Greater Minnesota Housing Fund, Family Housing Fund]

Minnesota Housing supports such an approach, but is concerned about the availability of trained personnel necessary for the assessment and post-improvement verification. The Minnesota Department of Commerce wrote in its comments: "While candidate houses for NSP should be third party evaluated to

determine the cost effectiveness of any renovation or rehabilitation, at present there are an insufficient number of trained and certified auditors in the state of Minnesota to meet the demand of NSP within the stated 18 month time frame of program funding.”

Because the energy auditor infrastructure is inadequate to provide timely assessments in all locales for the duration of NSP, Minnesota Housing will not require subrecipients to employ the recommended third party assessments and verifications. Instead, it will encourage applicants to make arrangements with and obtain commitments from entities with access and control over those resources for inclusion in their applications as local match, which will be considered by Minnesota Housing when evaluating applications.

**Comment Summary: Minnesota Housing should adopt the Minnesota Overlay to the Green Communities Criteria for homes undergoing significant rehabilitation.** [Minnesota Green, Greater Minnesota Housing Fund, Family Housing Fund]

Minnesota Housing will apply the Overlay to any building component that is modified or altered during rehabilitation, including selecting Energy Star qualified products.

**Comment Summary: Minnesota Housing should use the opportunity provided by rehabilitation to undertake energy efficiency improvements.** [AARP, Neighborhood Energy Connection, Minnesota Green, Greater Minnesota Housing Fund, Family Housing Fund]

Minnesota Housing agrees and will encourage subrecipients to consider cost effective energy improvements when rehabilitating NSP-assisted housing.

**Comment Summary: Minnesota Housing should not require point of sale and code compliance provisions as they raise costs and create a barrier to property rehabilitation or redevelopment by an individual homebuyer.** [Minnesota Association of Realtors]

Section 2301(d)(2) HERA requires that “Any rehabilitation of a foreclosed upon home or residential property...shall be to the extent necessary to comply with applicable laws, codes, and other requirements relating to housing safety, quality, and habitability...” Minnesota Housing’s rehabilitation standards require that rehabilitation meet the State’s codes, and local housing quality standards. If there are no local standards, then the property must, at minimum, meet HUD’s Housing Quality Standards set forth in 24 CFR 982.401. Minnesota Housing does not require the standards be met at the time a property is sold – individuals may acquire and rehabilitate houses with NSP funds, if permitted by the subrecipient. Minnesota Housing will amend its rehabilitation standards to require that subrecipients set a time by which homebuyer rehabilitation must be completed.

**Comment Summary: The Agency should integrate universal design and visitability features into rehabilitated and redeveloped properties to promote aging in place.** [AARP]

Minnesota Housing does not want to add unnecessary rehabilitation costs, especially when resources available for dealing with the problem of foreclosures are insufficient. Minnesota Housing encourages the commentator to pursue with local governments that may apply to Minnesota Housing to consider rehabilitating properties to promote aging in place. Minnesota Housing and other local government bodies have other resources available to homeowners to finance modifications to promote aging in place.

## **Priority Activities and Beneficiaries**

**Comment Summary: Minnesota Housing should restrict subrecipient flexibility in a number of ways, including:**

- **Requiring that a majority of housing opportunities resulting from NSP be for people with incomes that are at or below 50% of area median income (AMI), and establishing a target for serving people at 30% AMI,**
- **Providing the first opportunity to use NSP-assisted housing to residents in the area,**
- **Prioritizing the use of land for housing for people at or below 50% of AMI,**
- **Giving priority in the sale and rental of NSP-assisted housing to area residents and qualified applicants who have faced foreclosure as a homeowner or renter, or are living in a high foreclosure risk area,**
- **Setting aside a portion of NSP funds to increase the supply of accessible and visitable dwellings,**
- **Establishing a designated priority for low-income elderly residents.** [MICAHA, Legal Aid Society of Minneapolis, AARP]

Minnesota Housing will not adopt the above recommendations. The policy goal of NSP and Minnesota Housing is to stabilize areas of greatest need. Stabilization requires that foreclosed housing is rehabilitated and occupied by qualified persons as soon as possible. Holding dwellings for target groups for extended periods of time may result in further deterioration of the neighborhood.

Another policy goal of Minnesota Housing is economic integration or diversity. Imposing higher concentrations of very- and extremely-low income households would frustrate that policy goal.

Subrecipients are free to serve more persons at or below 50% of AMI, or establishing their own goal for providing affordable rental opportunities for persons at or below 30% AMI if, in their judgment, additional housing is needed for those persons in the area. However, there are barriers to achieving more aggressive income targets. The lack of operating subsidies to make rental properties affordable to extremely low income households could cause subrecipients to fail to meet a state-imposed 30% objective. Coordinating NSP with tax credits and other tools that are offered only periodically but that may be essential to making rental opportunities affordable for 30% AMI tenants could delay funds usage and put significant amounts of the NSP grant at risk of recapture by HUD. Minnesota Housing expects subrecipients to consider strategies, including other funding sources, to serve persons with as low an income as possible, but it also expects and requires them to obligate their NSP awards (have under contract for specific projects) within 18 months of the HUD/Minnesota Housing grant agreement.

One possible source of funds to make NSP-assisted rental housing affordable to lower-income persons would be an NSP-funded operating reserve that could help pay the costs of operating housing units of very- and extremely-low income tenants.

**Comment Summary: Minnesota Housing should not mandate select individuals (buyers and sellers).** [Minnesota Association of Realtors]

Title III, section 2301(c) of the Housing and Economic Recovery Act of 2008 limits the incomes of NSP-assisted homebuyers and renters to 120% of area median income. Minnesota Housing has no discretion to modify this requirement. As discussed above, Minnesota Housing will not mandate more restrictions on NSP funds, but will permit subrecipients to target more NSP units to very- or extremely-low income persons.

**Comment Summary: Minnesota Housing should require that the majority of funds for acquisition and rehabilitation of homeowner housing be used for rehabilitation and construction financing for**



**buyers to extend the effect of NSP funding, and to more quickly return houses to the inventory.**  
[Minnesota Association of Realtors]

Subrecipients have the flexibility to set-aside a portion of their grant for homebuyer acquisition and rehabilitation. However, neighborhood stabilization requires that properties be rehabilitated to be safe and sound, and that they be occupied quickly. Minnesota Housing expects subrecipients that permit homebuyer acquisition and rehabilitation to implement safeguards to ensure timely and quality completion of rehabilitation and occupancy.

**Comment Summary: Minnesota Housing should limit NSP funding to land banks and demolition and the interim use of land placed in a land bank.** [Legal Aid Society of Minneapolis, MICAH, Minnesota Association of Realtors]

Minnesota Housing generally agrees with the concern about using significant portions of the NSP funds for demolition and land banking, but will not impose a limit on subrecipients. Subrecipients must have the flexibility to assess needs in their community and respond in ways that address those needs, especially with respect to public safety and the dangers some abandoned and foreclosed properties present to the community. Grantees planning on undertaking demolition or land banking must have a plan for reuse of the land that will benefit the remaining housing and residents of the area. However, NSP funds may not be used for commercial redevelopment.

**Comment Summary: NSP should be used to reduce the over supply of housing to preserve and stabilize the value of the remaining housing in the area.** [WFS Consulting]

See the response above.

**Comment Summary: Minnesota Housing should protect home values by working to increase the demand for housing by creating incentives for buying homes (not only foreclosed homes), and by not selling homes for less than cost.** [WFS Consulting]

Title III, section 2301(c) of the Housing and Economic Recovery Act of 2008 limits the housing that may be acquired with NSP to housing that has been foreclosed upon. However, Minnesota Housing's HOME-assisted downpayment assistance program may be used to purchase any qualified home in foreclosure-impacted areas.

NSP requires that foreclosed houses be purchased at a discount of at least 5% of the current appraised value, and limits the resale price to no more than cost. Minnesota Housing will give subrecipients the flexibility they need to assess the current market and price the homes so that they are quickly occupied by eligible homebuyers. To price a house at no less than cost when the market value is less may result in otherwise useable housing is being left vacant and unsold, which destabilizes communities.

**Comment Summary: Minnesota Housing should include as eligible activities those described on HUD's "NSP Frequently Asked Questions" Web.** [MICAH]

It is Minnesota Housing's intention to consider all NSP-eligible activities that HUD describes to be eligible under the Minnesota program, except for those that fund commercial development or do not benefit housing.

## **Contracting Opportunities**

**Comment Summary: NSP funds should be used to employ and contract with low-income residents and businesses in affected communities, and other companies owned by underserved populations, such as women, minorities, and service-disabled veterans.** [Legal Aid Society of Minneapolis, MICAHA, Institution for Environmental Assessment]

Minnesota Housing supports contracting to community based organizations and minority-owned companies. Grantees are required to meet federal contracting rules regarding, among other things, outreach to minority- and women-owned business enterprises. Section 3 of the Housing and Urban Development Act of 1968 requires that program participants, to the greatest extent possible, provide job training, employment, and contract opportunities for low- and very-low income residents in connection with projects and activities in their neighborhoods. Reporting on minority- and women-owned business enterprise contracting is reported annually to HUD, and Section 3 actions are reported in Minnesota Housing's Consolidated Annual Performance Evaluation Report (CAPER).

**Comment Summary: Realtors should be employed by subrecipients to utilize their expertise and ensure that laws are followed.**

Minnesota Housing requires that subrecipients comply with all laws, regardless of whether they employ realtors. Subrecipients must decide whether to utilize realtors.

## **Affirmatively Further Fair Housing**

For comments regarding the distribution of funds and affirmatively furthering fair housing, see the "Design of Needs and Funding Assessment" section.

**Comment Summary: Minnesota Housing should ensure that it and subrecipients to affirmatively furthering fair housing and track beneficiary data.** [MICAHA, Legal Aid Society of Minneapolis, Council of Black Minnesotans]

Minnesota Housing will require all subrecipients to certify they will affirmatively further fair housing by conducting an analysis to identify impediments to fair housing choice, take actions to overcome the effects of impediments, and maintain records reflecting the analysis and actions taken. Subrecipients that are not CDBG entitlement grantees may, depending on their location either inside or outside the 11-county metropolitan area, accept the state or metropolitan area Analysis of Impediments to Fair Housing choice (AI).

HUD and Minnesota also require a certification that the NSP grant will be conducted and administered in conformity with Title VI of the Civil Rights Act of 1964, the Fair Housing Act, and implementing regulations.

Additionally, Minnesota Housing also will require subrecipients to develop affirmative fair housing marketing plans for NSP-assisted housing, and certify semi-annually to Minnesota Housing that they are following their plans.

Beneficiary data will be collected as directed by HUD. Minnesota Housing is reluctant to impose data collection, storage, and reporting burdens that are in excess of what is required by CDBG, but may require more or different reporting, depending on the activities being funded.

## **Continued Affordability**

**Comment Summary: Minnesota Housing should permit resale restrictions as an eligible way to enforce continued affordability.** [Northern Communities Land Trust, Greater Minnesota Housing Fund, Minnesota Community Land Trusts, City of St. Michael, City of Buffalo, Affordable Housing Coalition]

Minnesota Housing agrees and amends its action plan to permit resale restrictions as a way to achieve continued affordability, especially for community land trusts. However, Minnesota Housing cautions program participants that questions regarding what constitute program income, including proceeds paid to home sellers, remain unanswered; and buyers of homes under resale restriction must be made aware and agree that when the property is sold, they are limited to selling only to persons with incomes similar to their own when they bought the property; i.e., either equal to or less than 50% of AMI, or 120% of AMI, as required under section 2301(f)(3)(A)(ii) of HERA.

**Comment Summary: Minnesota Housing should prohibit recapture provisions that exceed those of 24 CFR 92.254.** [Minnesota Association of Realtors]

Minnesota Housing wants to give subrecipients the greatest flexibility possible in developing their programs and will not adopt this recommendation. Subrecipients may have legitimate policy reasons for requiring more aggressive recapture provisions than 24 CFR 92.254.

**Comment Summary: Minnesota Housing should mandate a minimum 50-year affordability period for rental properties.** [Minnesota Housing Partnership]

A 50-year affordability requirement for a project that may need minimal NSP funding could be a disincentive to developing or acquiring and rehabilitating rental properties. As a practical matter, without long term assistance with operating costs or rent subsidies, it would likely be impossible to achieve 50 years of affordability.

## **Financing Terms**

**Comment Summary: Minnesota Housing should require 30 year fixed-rate mortgages.** [Minnesota Community Land Trusts]

Minnesota Housing opposes predatory loans, but recognizes that not all potential homebuyers may qualify for 30 year fixed rate mortgages. Mortgage credit may not be as available as it once was, and alternative financing mechanisms may be necessary.

**Comment Summary: Minnesota Housing's plan should not preclude the option to disburse funds as a forgivable 0% interest loan.** [Twin Cities Habitat for Humanity]

The plan is written broadly enough to not preclude 0% interest rate forgivable loans.

## **Applicability of Laws and Other Requirements**

Several comments were received concerning the applicability of existing laws to various activities of the NSP. Comments regarding laws affecting rehabilitation and Fair Housing have been addressed elsewhere in this response.

**Comment Summary: Will entities purchasing and rehabilitating housing for resale be required to have a real estate license? Compliance with various federal, state, and local government disclosure laws should be assured.** [Minnesota Realtors Association]

**The amendment should ensure that Minnesota Housing and subrecipients comply with certain state and federal statutes and regulations, including Fair Housing, the Federal government's Limited English Proficiency policies, Section 504 of the Rehabilitation Act and Americans with Disabilities Act, Minnesota's Human Rights Act, HUD's Section 3 program for employing and training low-income residents, and others.** [Legal Aid Society of Minneapolis]

Minnesota Housing expects that all participants in NSP will abide by all applicable federal, state, and local laws and ordinances. NSP does not suspend any of those requirements.

## **Miscellaneous**

**Comment Summary: If HUD rejects the plan for being insufficiently detailed, Minnesota Housing should make the re-written plan available for public comment.**

Minnesota Housing is confident that the submitted Action Plan contains a sufficient level of detail and will be approved. Minnesota Housing's Citizen Participation Plan does not provide for a second public comment period in the event a draft action plan must be modified. While it may be desirable to seek additional public comment if the plan is rewritten, it is impractical. A substantial rewrite of the plan could take a significant amount of time which, when combined with a meaningful notice and comment period and additional time to respond to comments, could prevent the agency from meeting the requirement to submit a new plan to HUD within 45 days from the first disapproval of the plan, but no later than February 13, 2009.

**Comment Summary: Minnesota Housing should include non-citizens as persons to be engaged in neighborhood stabilization by applicants for NSP funds. (See "Neighborhood Improvement Efforts" in the application section.)** [MICAH]

Minnesota Housing will change the plan language to read: "Engage residents in neighborhood stabilization."

**Comment Summary: Minnesota Housing should require subrecipients to verify and document the income of tenants of land bank properties and not the residents of the area.** [MICAH]

NSP rules require that land banks be justified in terms of the incomes of residents in the area and not the tenants.

**Comment Summary: Confusion was expressed about the language on page 28 of the Action Plan regarding the Community Revitalization Program awards.** [MICAH]

Page 28 will be modified to clear confusion. The paragraph was intended to convey that \$3.68 million of recently-selected Community Revitalization Program awards will be funded with NSP dollars. These projects are eligible for NSP because they address foreclosed properties in the areas of greatest need. The eligibility of expenses back to September 2008 when the HUD Notice was published were questioned. NSP makes eligible for payment costs incurred after publication of the Notice and before the grant agreement. September 29, 2008 is the start of the NSP program.

**Comment Summary: Minnesota Housing should reconsider its decision to pass through NSP funds for the Habitat for Humanity CRV award, and administer the assistance itself. [Twin Cities Habitat for Humanity]**

Minnesota Housing's decision to pass through NSP funding for some of its fall CRV selections was based on the fact that both cities have the mechanisms in place to administer CDBG funding on the ground, and it will be more efficient for administrative purposes to have fewer NSP subrecipients.

## **G. NSP INFORMATION BY ACTIVITY**

Each of the following activities is eligible for reimbursement as pre-award costs if approved by Minnesota Housing:

### **Activity Number 1:** **Establish Financing Mechanisms**

**Activity Type:** (include NSP eligible use & CDBG eligible activity)

NSP-Eligible Use	CDBG Eligible Activity
Establish financing mechanisms	Activity delivery costs for an eligible activity as defined in 24 CFR 570.206 and eligible activities defined below
A. Financing for the purchase and redevelopment of foreclosed upon homes for low- and moderate-income homebuyers.  B. Financing for the purchase and redevelopment of foreclosed upon residential properties.	<ul style="list-style-type: none"><li>• 24 CFR 570.201(a) Acquisition</li><li>(b) Disposition,</li><li>(i) Relocation, and</li><li>(n) Direct homeownership assistance, including downpayment and closing cost assistance, mortgage interest rate reduction, lease/purchase, contract for deed</li><li>• 24 CFR 570.202 eligible rehabilitation and preservation activities for homes and residential properties</li></ul>

**National Objective:** (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e.,  $\leq 120\%$  of area median income).

This activity meets the HERA low-, moderate- and middle-income national objective by providing financing for the purchase and redevelopment of housing that will be occupied by households with incomes at or below 120 per cent of area median income.

**Projected Start Date:** September 29, 2008

**Projected End Date:** March 1, 2013

#### **General Terms Under Which Assistance Will be Provided:**

The role and structure of NSP funds in financing acquisition and/or rehabilitation are unknown at this time, but will be determined by each subrecipient and specified in their applications to Minnesota Housing. Possibilities include contracts for deed or a participation in contracts for deed; first or second mortgages, either amortizing or deferred and participation in such mortgages; grants; low- or no-interest construction financing; downpayment and closing cost assistance.

Generally, financing provided by subrecipients to homeowners for acquisition and/or rehabilitation will be without interest, except for circumstances in which the charging of interest or fees are necessary to pay documented costs associated with the financing mechanism. To the extent NSP funds provide a first lien or equivalent primary financing, such financing mechanisms may be priced at an interest rate that is no greater than the interest rate charged on Minnesota Housing mortgage revenue bond programs, currently 5.5%.

Financing provided to other entities for acquisition and redevelopment may carry interest rates of 0% to market rates for equivalent types of financing, with terms no longer than 30 years.

**Responsible Organization:** (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

Minnesota Housing will sub grant funds to local units of government, which have not yet been selected. Subrecipients will be posted on the Minnesota Housing website after their selection. If progress toward obligating funds within deadlines is insufficient, Minnesota Housing may recapture NSP allocations of subrecipients and offer direct assistance.

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**Location Description:** (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Depending on subrecipient priorities, this activity may be available in any of the greatest need areas.

**Activity Description:**

This activity will provide financing to purchase and redevelop foreclosed homes and residential properties which will be made available for sale to or rental by households with incomes up to 120% of AMI. The activity will be available for subrecipients serving any of the areas of greatest need if it is deemed by them in their application to be a priority activity. Recipients of financing may be developers or homebuyers.

The acquisition discount from current appraised value for foreclosed homes and residential properties will be at minimum 5% per property, and an average discount of 15% per property. Minnesota Housing will require each subrecipient to achieve an average discount of properties they acquire of at least 15%. Minnesota Housing will maintain a data base of acquired properties, their market value, and the discount at purchase. From this data, Minnesota Housing will be able to determine whether it and its subrecipients are meeting the minimum average discount target of 15%.

Homebuyers will benefit from this activity as foreclosed homes are brought back on line and sold to them at less than cost. Subrecipients will use either the HOME recapture or resale requirements as the minimum means to meet the continued affordability requirements of the Notice. The period of continued affordability will be at least as long as the period of affordability described in 24 CFR 92.254(a)(4). Recapture requirements and affordability periods will be defined by the subrecipients in their applications to Minnesota Housing for NSP funding and must equal or exceed the requirements of 24 CFR 92.254. But, as with the HOME requirements of 24 CFR 92.254 (a)(5), the requirement that the property continue to be occupied by NSP-eligible owners will expire with recapture of the NSP investment.

Renters with incomes up to 120% AMI will benefit from this activity as foreclosed residential properties are brought back on line and made available for rent.

**Budget Range:**

NSP: \$2,500,000 to \$4,000,000

Private:\$30,000,000

**Activity Number 2:**  
**Acquisition and Rehabilitation, Homeownership**

**Activity Type:** (include NSP eligible use & CDBG eligible activity)

NSP-Eligible Use	CDBG Eligible Activity
Purchase and rehabilitate homes that have been abandoned or foreclosed upon in order to sell, rent, or redevelop such homes	Activity delivery costs for an eligible activity as defined in 24 CFR 570.206 and eligible activities defined below: <ul style="list-style-type: none"><li>• 24 CFR 570.201(a) Acquisition</li><li>(b) Disposition,</li><li>(i) Relocation, and</li><li>• 24 CFR 570.202 eligible rehabilitation and preservation activities for homes</li></ul>

**National Objective:** (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e.,  $\leq 120\%$  of area median income).

This acquisition and rehabilitation activity meets the HERA low-, moderate- and middle-income national objective by providing homes that will be occupied by households with incomes at or below 120 per cent of area median income.

**Projected Start Date:** September 29, 2008

**Projected End Date:** March 1, 2013

**Responsible Organization:** (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

Minnesota Housing will sub grant funds to local units of government, which have not yet been selected. Subrecipients will be posted on the Minnesota Housing website after their selection. If progress toward obligating funds within deadlines is insufficient, Minnesota Housing may recapture NSP allocations of subrecipients and offer direct assistance.

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**Location Description:** (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Depending on subrecipient priorities, this activity may be available in any of the greatest need areas.

**Activity Description:**



This activity will acquire and rehabilitate abandoned and foreclosed homes, which will be made available for sale to the full range of income-eligible persons for homeownership, including those with incomes below 50% of area median income. The activity will be available for subrecipients serving any of the areas of greatest need if it is deemed by them in their application to be a priority activity. The acquisition and/or rehabilitation may be conducted by the subrecipients, a developer, or a homebuyer.

Homebuyers will benefit from this activity as foreclosed homes are brought back on line and sold to them at less than cost. Subrecipients will use either the HOME recapture or resale requirements as the minimum means to meet the continued affordability requirements of the Notice. The period of continued affordability will be at least as long as the period of affordability described in 24 CFR 92.254(a)(4). Recapture requirements and affordability periods will be defined by the subrecipients in their applications to Minnesota Housing for NSP funding and must equal or exceed the requirements of 24 CFR 92.254. But, as with the HOME requirements of 24 CFR 92.254 (a)(5), the requirement that the property continue to be occupied by NSP-eligible owners will expire with recapture of the NSP investment.

The acquisition discount from current appraised value for foreclosed homes will be at minimum 5% per property, and an average discount of 15% per property. Minnesota Housing will require each subrecipient to achieve an average discount of properties they acquire of at least 15%. Minnesota Housing will maintain a data base of acquired properties, their market value, and the discount at purchase. From this data, Minnesota Housing will be able to determine whether it and its subrecipients are meeting the minimum average discount target of 15%.

**Budget Range:**

NSP: \$19,500,000 to \$20,464,937

Private:\$20,000,000

**Activity Number 3:**  
**Acquisition and Rehabilitation, Rental**

**Activity Type:** (include NSP eligible use & CDBG eligible activity)

NSP-Eligible Use	CDBG Eligible Activity
Purchase and rehabilitate residential properties that have been abandoned or foreclosed upon in order to sell and/or rent such properties	Activity delivery costs for an eligible activity as defined in 24 CFR 570.206 and eligible activities defined below <ul style="list-style-type: none"><li>• 24 CFR 570.201(a) Acquisition</li><li>(b) Disposition,</li><li>(i) Relocation.</li><li>• 24 CFR 570.202 eligible rehabilitation and preservation activities for residential properties</li></ul>

**National Objective:** (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e.,  $\leq 120\%$  of area median income).

This acquisition and rehabilitation activity meets the HERA low-, moderate- and middle-income national objective by providing permanent residential structures that will be occupied by households with incomes at or below 120 per cent of area median income.

**Projected Start Date:** September 29, 2008

**Projected End Date:** March 1, 2013

**Responsible Organization:** (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

Minnesota Housing will sub grant funds to local units of government, which have not yet been selected. Subrecipients will be posted on the Minnesota Housing website after their selection. If progress toward obligating funds within deadlines is insufficient, Minnesota Housing may recapture NSP allocations of subrecipients and offer direct assistance.

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**Location Description:** (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Depending on subrecipient priorities, this activity may be available in any of the greatest need areas.

**Activity Description:**

This activity will acquire and rehabilitate abandoned, and foreclosed residential properties, which will be made available for rental to the full range of income-eligible persons, including those with incomes below 50% of area median income. The activity will be available for subrecipients serving any of the areas of greatest need if it is deemed by them in their application to be a priority activity. The acquisition and/or rehabilitation may be conducted by the subrecipient or a developer.

Renters will benefit from this activity as foreclosed and abandoned properties are brought back on line and rented to tenants at rents that do not exceed the HOME rent limits specified in 24 CFR 92.252.

NSP funds may also be used to capitalize an operating reserve, if required by the lender providing first mortgage financing, to reduce tenants' rents to more affordable levels.

The acquisition discount from current appraised value for foreclosed homes and residential properties will be at minimum 5% per property, and an average discount of 15% per property. Minnesota Housing will require each subrecipient to achieve an average discount of properties they acquire of at least 15%. Minnesota Housing will maintain a data base of acquired properties, their market value, and the discount at purchase. From this data, Minnesota Housing will be able to determine whether it and its subrecipients are meeting the minimum average discount target of 15%.

Subrecipients will be required to include in their loan documents the affordability requirements of 24 CFR §92.252(a), (c), (e) and (f), which are identical to those of the HOME program.

**Budget Range:**

NSP: \$3,000,000 to \$3,500,000

Private:\$10,000,000

**Activity Number 4:**  
**Establish Land Banks**

**Activity Type:** (include NSP eligible use & CDBG eligible activity)

NSP-Eligible Use	CDBG Eligible Activity
Establish land banks for homes that have been foreclosed upon.	Activity delivery costs for an eligible activity as defined in 24 CFR 570.206 and eligible activities defined below: 24 CFR 570.201(a) Acquisition and (b) Disposition

**National Objective:** (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e.,  $\leq 120\%$  of area median income).

The Land Bank activity meets the HERA low-, moderate- and middle-income national objective by serving an area in which at least 51% of the residents have incomes at or below 120 percent of area median income.

**Projected Start Date:** September 29, 2008

**Projected End Date:** March 1, 2022 (Expected date for final disposition of all land bank properties and payment of revenues to the Treasury)

**Responsible Organization:** (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

Minnesota Housing will sub grant funds to local units of government, which have not yet been selected. Subrecipients will be posted on the Minnesota Housing website after their selection. If progress toward obligating funds within deadlines is insufficient, Minnesota Housing may recapture NSP allocations to subrecipients and offer direct assistance.

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**Location Description:** (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Depending on subrecipient priorities, this activity may be available in any of the greatest need areas.

**Activity Description:**

This activity will acquire blighted foreclosed homes for demolition and possible public facility type interim use (community gardens, for example) until final sale of the property within ten years for a purpose that will benefit the remaining housing in the neighborhood.

Subrecipients choosing to pursue the land bank activity must define the geographic area of the land bank and document that at least 51% of residents have incomes at or below 120 percent of area median income.

Applicants intending to use NSP funds for demolition must describe short-term and long-term plans for the use of the land, including how and who will maintain the vacated property until it is redeveloped and the timeframe for likely redevelopment of the property. Demolition plans should include a strategy for assembling land for redevelopment and not simply demolition on a case-by-case basis. Applicants are encouraged to plan interim community uses for vacant land such as community gardens, playgrounds and parks.

Applicants intending to use NSP funds for land banking must describe how the use of the land bank will facilitate housing affordable to the targeted incomes and how it will assist in stabilizing neighborhoods. Land banks must operate in specific, defined geographic areas.

The acquisition discount from current appraised value for foreclosed homes will be at minimum 5% per property, and an average discount of 15% per property. Minnesota Housing will require each subrecipient to achieve an average discount of properties they acquire of at least 15%. Minnesota Housing will maintain a data base of acquired properties, their market value, and the discount at purchase. From this data, Minnesota Housing will be able to determine whether it and its subrecipients are meeting the minimum average discount target of 15%.

The role and structure of NSP funds in financing acquisition and/or rehabilitation are unknown at this time, but will be determined by each subrecipient and specified in their applications to Minnesota Housing. Possibilities include first or second mortgages, either amortizing or deferred and participation in such mortgages; grants; low- or no-interest construction financing.

**Budget Range:**

NSP: \$1,000,000 to \$1,500,000

Private:\$0

**Activity Number 5:**  
**Demolish Blighted Structures**

**Activity Type:** (include NSP eligible use & CDBG eligible activity)

NSP-Eligible Use	CDBG Eligible Activity
Demolish blighted structures	24 CFR 570.201(d) Clearance for blighted structures only.

**National Objective:** (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e.,  $\leq 120\%$  of area median income).

The Demolition activity meets the HERA low-, moderate- and middle-income national objective by serving areas in which at least 51% of the residents have incomes at or below 120 percent area median income. Subrecipients must define the area in which they will conduct this activity and document that resident incomes meet the NSP requirement.

**Projected Start Date:** September 29, 2008

**Projected End Date:** March 1, 2013

**Responsible Organization:** (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

Minnesota Housing will sub grant funds to local units of government, which have not yet been selected. Subrecipients will be posted on the Minnesota Housing website after their selection. If progress toward obligating funds within deadlines is insufficient, Minnesota Housing may recapture NSP allocations to subrecipients and offer direct assistance.

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**Location Description:** (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Depending on subrecipient priorities, this activity may be available in any of the greatest need areas.

**Activity Description:**

This activity will demolish blighted residential structures if the structures will be replaced with housing, commercial development, or a public facility.

Subrecipients choosing to undertake the demolition activity must define the geographic area in which it will occur and document that at least 51% of residents have incomes at or below 120 percent of area median income.

Blighted structures lower property values and are a nuisance and hazard to residents because they are often subject to vandalism, stripped of fixtures and amenities, and harbor illegal activities. Removal of those negative influences on a neighborhood is a benefit to area residents.

**Budget Range:**

NSP: \$3,000,000 to \$3,500,000

Private:\$0

**Activity Number 6:**  
**Redevelop Demolished or Vacant Structures.**

**Activity Type:** (include NSP eligible use & CDBG eligible activity)

NSP-Eligible Use	CDBG Eligible Activity
Redevelop demolished or vacant properties for housing.	24 CFR 570.201(a) Acquisition (b) Disposition (c) Public facilities and improvements 24 CFR 570.204 New Construction

**National Objective:** (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e.,  $\leq 120\%$  of area median income).

This redevelopment activity meets the HERA low-, moderate- and middle-income national objective when it provides permanent residential structures that will be occupied by households with incomes at or below 120 per cent of area median income. Redevelopment resulting in a public facility meets the HERA low-, moderate- and middle-income national objective by serving areas in which at least 51% of the residents have incomes at or below 120 percent area median income.

**Projected Start Date:** September 29, 2008

**Projected End Date:** March 1, 2013

**Responsible Organization:** (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

Minnesota Housing will sub grant funds to local units of government, which have not yet been selected. Subrecipients will be posted on the Minnesota Housing website after their selection. If progress toward obligating funds within deadlines is insufficient, Minnesota Housing may recapture NSP allocations to subrecipients and offer direct assistance.

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(651) 297-5146  
ruth.simmons@state.mn.us

**Location Description:** (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Depending on subrecipient priorities, this activity may be available in any of the greatest need areas.

**Activity Description:**

This activity will redevelop demolished or vacant properties to provide permanent housing or public facilities (such as parks) that benefit the surrounding residential area. Redevelopment for commercial purposes will not be permitted. Subrecipients choosing to redevelop properties that were previously abandoned or foreclosed upon to provide housing must specify how many of the units to be produced will be occupied by households with incomes less than 50% of the area median income.



Tenants of redeveloped properties, whether homebuyers or renters, will benefit from living in new structures that fully meet codes and standards and are affordable, within the definitions of 24 CFR §92.252 and §92.254. Property that is redeveloped for residential purposes must meet the affordability requirements of 24 CFR §92.252(a), (c), (e) and (f) if rental property, or §92.254 for homeownership housing.

**Budget Range:**

NSP: \$1,500,000 to \$2,000,000

Private:\$4,000,000

**Activity Number 7:**  
**NSP Program Administration**

**Activity Type:** (include NSP eligible use & CDBG eligible activity)

NSP-Eligible Use	CDBG Eligible Activity
NSP Administration	24 CFR 570.206

**National Objective:** (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e.,  $\leq 120\%$  of area median income).

This activity meets the HERA low-, moderate-, and moderate-income benefit national objective.

**Projected Start Date:** September 29, 2008

**Projected End Date:** March 1, 2013

**Responsible Organization:** (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

Minnesota Housing will sub grant funds to local units of government, which have not yet been selected. Subrecipients will be posted on the Minnesota Housing website after their selection.

Minnesota Housing Finance Agency is the state's responsible organization.

Address: 400 Sibley Street, Suite 300  
St. Paul, MN 55101  
Agency Contact: Ruth Simmons  
(651) 297-5146  
ruth.simmons@state.mn.us

**Location Description:** (Description may include specific addresses, blocks or neighborhoods to the extent known.)

This activity will be available in any of the greatest need areas identified in Section A above.

**Activity Description:**

General administration of the NSP program. These costs incurred since September 29, 2008, are eligible pre-award costs.

Of \$3,884,992 available for general administration, Minnesota Housing will allocate \$500,000 for its general administration of NSP; and subrecipients will be eligible for \$3,384,992.

**Budget Range:**

NSP: \$3,884,992

Private:\$0



## **J. PERFORMANCE MEASURES**

(e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):

Minnesota Housing has not developed performance measures for units serving households with incomes up to 50% AMI; between 50% and 80% AMI; and between 80% and 120% of AMI. Measures will be developed when subrecipients are selected, and the activities they will undertake and their scope are known.

## CERTIFICATIONS

- (1) **Affirmatively furthering fair housing.** The jurisdiction will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.
- (2) **Anti-lobbying.** The jurisdiction will comply with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.
- (3) **Authority of Jurisdiction.** The jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.
- (4) **Consistency with Plan.** The housing activities to be undertaken with NSP funds are consistent with its consolidated plan, which means that NSP funds will be used to meet the congressionally identified needs of abandoned and foreclosed homes in the targeted area set forth in the grantee's substantial amendment.
- (5) **Acquisition and relocation.** The jurisdiction will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the Notice for the NSP program published by HUD.
- (6) **Section 3.** The jurisdiction will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.
- (7) **Citizen Participation.** The jurisdiction is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.
- (8) **Following Plan.** The jurisdiction is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD.
- (9) **Use of funds in 18 months.** The jurisdiction will comply with Title III of Division B of the Housing and Economic Recovery Act of 2008 by using, as defined in the NSP Notice, all of its grant funds within 18 months of receipt of the grant.
- (10) **Use NSP funds  $\leq$  120 of AMI.** The jurisdiction will comply with the requirement that all of the NSP funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income.
- (11) **Assessments.** The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by

assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.

(12) **Excessive Force.** The jurisdiction certifies that it has adopted and is enforcing: (1) a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and (2) a policy of enforcing applicable State and local laws against physically barring entrance to or exit from, a facility or location that is the subject of such non-violent civil rights demonstrations within its jurisdiction.

(13) **Compliance with anti-discrimination laws.** The NSP grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3619), and implementing regulations.

(14) **Compliance with lead-based paint procedures.** The activities concerning lead-based paint will comply with the requirements of part 35, subparts A, B, J, K, and R of this title.

(15) **Compliance with laws.** The jurisdiction will comply with applicable laws.

  
Signature/Authorized Official

November 25, 2008  
Date

Commissioner  
Title

**APPLICATION FOR  
FEDERAL ASSISTANCE**

OMB Approved No. 3076-0006

Version 7/03

<b>1. TYPE OF SUBMISSION:</b> Application <input type="checkbox"/> Construction <input checked="" type="checkbox"/> Non-Construction		<b>2. DATE SUBMITTED</b> December 1, 2008		Applicant Identifier	
<b>3. DATE RECEIVED BY STATE</b>		State Application Identifier		<b>4. DATE RECEIVED BY FEDERAL AGENCY</b>	
<b>5. APPLICANT INFORMATION</b> Legal Name: Minnesota Housing Finance Agency Organizational DUNS: 878895093 Address: Street: 400 Sibley Street, Suite 300 City: Saint Paul County: Ramsey State: Minnesota Zip Code: 55101 Country: United States of America		<b>Organizational Unit:</b> Department: Minnesota Housing Finance Agency Division: Name and telephone number of person to be contacted on matters involving this application (give area code) Prefix: First Name: James Middle Name: Andrew Last Name: Cegia Suffix: Email: jim.cegia@state.mn.us Phone Number (give area code): 651-297-3126 Fax Number (give area code): 651-296-8139			
<b>6. EMPLOYER IDENTIFICATION NUMBER (EIN):</b> 41-1599130		<b>7. TYPE OF APPLICANT:</b> (See back of form for Application Types) A Other (specify)			
<b>8. TYPE OF APPLICATION:</b> <input checked="" type="checkbox"/> New <input type="checkbox"/> Continuation <input type="checkbox"/> Revision If Revision, enter appropriate letter(s) in box(es) (See back of form for description of letters.) Other (specify)		<b>9. NAME OF FEDERAL AGENCY:</b> Department of Housing and Urban Development			
<b>10. CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER:</b> TITLE (Name of Program): 14-228		<b>11. DESCRIPTIVE TITLE OF APPLICANT'S PROJECT:</b> Neighborhood stabilization			
<b>12. AREAS AFFECTED BY PROJECT (Cities, Counties, States, etc.):</b> State		<b>14. CONGRESSIONAL DISTRICTS OF:</b> a. Applicant 1, 2, 3, 4, 5, 6, 7, 8 b. Project 1, 2, 3, 4, 5, 6, 7, 8			
<b>13. PROPOSED PROJECT</b> Start Date: September 29, 2008 Ending Date: March 1, 2013		<b>16. IS APPLICATION SUBJECT TO REVIEW BY STATE EXECUTIVE ORDER 12372 PROCESS?</b> a. Yes <input type="checkbox"/> THIS PREAPPLICATION/APPLICATION WAS MADE AVAILABLE TO THE STATE EXECUTIVE ORDER 12372 PROCESS FOR REVIEW ON DATE: b. No <input checked="" type="checkbox"/> PROGRAM IS NOT COVERED BY E. O. 12372 <input type="checkbox"/> OR PROGRAM HAS NOT BEEN SELECTED BY STATE FOR REVIEW			
<b>15. ESTIMATED FUNDING:</b> a. Federal \$ 38,849,929 <sup>00</sup> b. Applicant \$ c. State \$ d. Local \$ e. Other \$ f. Program Income \$ g. TOTAL \$ 38,849,929 <sup>00</sup>		<b>17. IS THE APPLICANT DELINQUENT ON ANY FEDERAL DEBT?</b> <input type="checkbox"/> Yes If "Yes" attach an explanation. <input checked="" type="checkbox"/> No			
<b>18. TO THE BEST OF MY KNOWLEDGE AND BELIEF, ALL DATA IN THIS APPLICATION/PREAPPLICATION ARE TRUE AND CORRECT. THE DOCUMENT HAS BEEN DULY AUTHORIZED BY THE GOVERNING BODY OF THE APPLICANT AND THE APPLICANT WILL COMPLY WITH THE ATTACHED ASSURANCES IF THE ASSISTANCE IS AWARDED.</b>					
<b>a. Authorized Representative</b> Prefix Mr. First Name Daniel Middle Name M. Last Name Bartholomay Suffix b. Title Commissioner c. Telephone Number (give area code) 651-296-5738 d. Signature of Authorized Representative e. Date Signed 11/25/08					

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Standard Form 424 (Rev. 9-2003)  
Prescribed by OMB Circular A-102

## **APPENDIX A**

# **Minnesota NSP Action Plan Appendix A**

## **Methodology for Targeting Areas of Greatest Need and Distributing Maximum Allocations**

**November 26, 2008**

### **Overview**

The purpose of this document is to outline the methodology that Minnesota Housing used to identify areas of greatest need and to assign maximum funding distributions around the state. To accomplish this task, Minnesota Housing analyzed foreclosure, real-estate-owned (REO), subprime, and delinquency data on a zip code basis and sheriff's sales data on a county basis.

The following summarizes Minnesota Housing's process:

1. Identify the 120 zip codes with the highest foreclosure/REO, subprime, and delinquency rates (problem loans per 100 households).
2. Initially, assign funds to the 120 high-need zip codes based on their number of foreclosures, REOs, delinquencies, and subprime loans, using the total funding level allocated to both the state and the five entitlement jurisdictions.
3. Adjust initial assignment to account for:
  - Rates of foreclosures/REOs, delinquencies, and subprime loans per 100 households (with a 20 percent cap). (The initial assignment in step 2 is based on the number of problem loans, not the rate per 100 households.)
  - Median family income level (with a 15 percent adjustment cap).
  - Median age of housing stock (with a 15 percent adjustment cap).
4. Assign funds to the 37 zip codes receiving more than \$500,000 under the funding formula.
5. Do not assign but pool funds for the 83 zip codes that were to receive less than \$500,000 under the funding formula; make pooled funds available in any of the 23 highest-need counties on a competitive basis with separate pools for Greater Minnesota and the Twin Cities Metro Area. Thus, Minnesota Housing is dropping the 83 zip codes and basing the competition of the 23 high need counties. Communities in any one of the 23 high-need counties can compete for these funds. The communities do not need to fall within one of the 83 zip codes identified previously. These competitive funds cannot be used in zip codes receiving funds under step 4.
6. Adjust the assignment in step 4 downward for the zip codes that fall in Anoka, Dakota, Hennepin counties and the cities of St. Paul and Minneapolis to account for the funds that these localities will receive directly from HUD.



7. If funds are still available and not distributed to specific stabilization efforts after step 6, Minnesota Housing will supplement the allocations in steps 4 and 5 on a competitive basis. The NSP application will have a separate section for subrecipients who wish to compete for a supplemental allocation (if available).
8. If Minnesota Housing needs to retract funding from a subrecipient for lack of progress, the retracted funds will be reallocated. These funds will be available on a competitive basis for stabilization efforts in any of the 23 highest-need counties. Minnesota Housing may use funds directly if such action is necessary to meet the 18 month timeline.
9. Limit funding to efforts that meet program goals, criteria, and requirements.

The 120 highest-need zip codes (out of 872 statewide) each have a concentration of problem loans (foreclosures, delinquencies, and subprime loans) per 100 households that is at least 25 percent higher than the statewide concentration of problem loans. These 120 zip codes account for 57 percent of the state's loans in foreclosure or REO. After the assignment of maximum distributions is completed, Minnesota Housing will assign a maximum distribution to only 37 of these 120 zip codes. These 37 zip codes (which represent 4 percent of the state's 872 zip codes) account for 45 percent of the state's loans in foreclosure or REO.

The 23 highest-need counties (out of 87 statewide) either rank in the top 19 in number of sheriff sales or in the top 19 in concentration of sheriff's sales per 100 households. Fifteen counties rank in the top 19 under both criteria, while 8 rank in the top 19 under one of the two criteria. The 19 counties with the highest concentration of sheriff sales each have at least as many sheriff's sales per 100 households as the overall statewide rate.

To identify the 120 highest-need zip codes discussed in step one of the process summary above, Minnesota Housing developed the following need score:

Score =

- $0.7 \times (\text{the zip code's number of loans in foreclosure or REO per 100 households} / \text{state's foreclosures or REOs per 100 households})$   
+
- $0.15 \times (\text{the zip code's number of subprime loans per 100 households} / \text{state's subprime loans per 100 households})$   
+
- $0.15 \times (\text{the zip code's number of loans 60+ days past due per 100 households} / \text{state's loans 60+ days past due per 100 households})$

(The delinquency rate is an assessment of the potential for future increases in foreclosures.)

The need score expresses each zip code's rate of problem loans in relation to the overall state rate. A zip code with a need score of 200 percent has twice as many problem loans per 100 households as the state average, and a zip code with a need score of 600 percent has six times as many problems per 100 households.

See the spreadsheet titled "Zip Code Analysis" for a listing of each zip code's need score and maximum distributions. The spreadsheet can be accessed at

[http://www.mnhousing.gov/idc/groups/secure/documents/admin/mhfa\\_007439.xls](http://www.mnhousing.gov/idc/groups/secure/documents/admin/mhfa_007439.xls)

Also, see the spreadsheet titled "County Analysis" for the number and rate of sheriff sales in each county. The county spreadsheet can be accessed at

[http://www.mnhousing.gov/idc/groups/secure/documents/admin/mhfa\\_007438.xls](http://www.mnhousing.gov/idc/groups/secure/documents/admin/mhfa_007438.xls)

## Primary Data Source

- Federal Reserve Board estimates of subprime and alt-A loans based on data from First American Loan Performance.
- The data capture roughly 70 percent of subprime and 95 percent of alt-A loans sold into securities. The data primarily apply to loans for owner-occupied housing, but Minnesota Housing made adjustments to account for loans to rental investors. See below for more details.
- The data captures the portfolio of loans as of April 2008.
- Analysis strongly supports the validity of the LoanPerformance data:
  - County-Level Data Statewide: The correlation coefficient between LoanPerformance's number of loans in foreclosure or REO and HousingLink's number of sheriff sales is 0.998.<sup>1</sup>
  - Zip-Code-Level Data within the Twin Cities Metro Area: The correlation coefficient between the two sources is 0.958.<sup>2</sup> After Minnesota Housing made adjustments to account for loans to rental investors, the correlation coefficient increased to 0.972.
- Minnesota Housing did not rely on HousingLink data because it is only available statewide at the county level. (Zip code data from HousingLink is only available for the Twin Cities metro area.) The Neighborhood Stabilization Program is about identifying neighborhoods in greatest need and stabilizing them. Zip code data is closer to the neighborhood level than county data.
- Minnesota Housing considered, but did not use, the foreclosure estimates provided by HUD for two reasons. First, HUD correlated its county foreclosure rates with 90-day county delinquency rates from Equifax. The correlation for Minnesota was 0.466. According to HUD, "All grantees are advised to look to other local data when considering their areas of greatest need, particularly if they are not among the states listed as having high rates of intrastate correlation between the HUD estimated foreclosure rate and the Equifax 90-day delinquency data."<sup>3</sup> Minnesota is not among the 23 states identified as having a high correlation. Second, Minnesota Housing found some concerning outcomes in the HUD data. For example, according to the HUD data, all of Clearwater County has a foreclosure/abandonment risk score of 10 (on a scale of 1 to 10, with 10 being the highest risk). Yet, according to HousingLink, Clearwater County ranks 37<sup>th</sup> among Minnesota counties in sheriff's sales per 100 households.

The HUD foreclosure estimates may be accurate in the Twin Cities metro area. Hennepin County has found a close match between the HUD estimates and its sheriff's sales data. Nevertheless, Minnesota Housing needed accurate data across the entire state.

- Minnesota Housing considered, but did not use, the U.S. Postal Service's data on vacant properties for several reasons. (This data has been made available by HUD.) First, when Minnesota Housing contacted HUD's primary analyst responsible for this data, he provided a list of concerns and caveats,

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<sup>1</sup> The LoanPerformance zip code data was aggregated up to the county level by assigning each zip code to its primary county. HousingLink's sheriff's sales apply to 2007 through the 3rd quarter of 2008.

<sup>2</sup> The sheriff's sales only applied to those that occurred during 2007. HousingLink has only compiled sheriff's sales data by zip code within the metro area and only for 2007.

<sup>3</sup> U.S. Department of Housing and Urban Development. "Neighborhood Stabilization Program – Revised 10-20-08 Methodology and Data Dictionary for HUD Provided Data,"

[http://www.huduser.org/publications/commdevl/Desc\\_%20NSP\\_data.doc](http://www.huduser.org/publications/commdevl/Desc_%20NSP_data.doc).

and concluded with the statement, “As you can see this data is fraught with issues.” According to the HUD analyst, the “data are more dependable in urban areas.” The postal service tracks vacancies on urban and rural postal routes differently. In addition, the Postal Service vacancy data provided by HUD does not include structures that have been abandoned for an extended period of time. Given these caveats, Minnesota Housing is very reluctant to use this data without a mechanism for validating its accuracy throughout the state.

## **Key Data Elements**

- Number of subprime and alt-A loans in foreclosure or real-estate-owned (REO) (*Federal Reserve LoanPerformance Reports*, April 2008)
- Number of subprime loans (*Federal Reserve LoanPerformance Reports*, April 2008)
- Number of subprime and alt-A loans 60+ days past due (*Federal Reserve LoanPerformance Reports*, April 2008)
- Number of households in each zip code in 2000 (*Census Bureau*, 2000)
- Estimated household growth rate for each county between 2000-07 (*State Demographer’s Office*)
- Estimated number of households in each zip code in 2007 (*Minnesota Housing* estimated the number of households in each zip code in 2007 by using the 2000 household population and then applying the household growth rate for each zip code’s primary county.)
- Median family income (*Census Bureau*, 1999)
- Median housing structure age (*Census Bureau*, 2000)

## **Data Adjustments**

Minnesota Housing needed to adjust the data in the Federal Reserve LoanPerformance Reports to account for rental-investor loans. For owner-occupied housing, the Federal Reserve LoanPerformance Reports provide data on the number of subprime and alt-A loans in each zip code and the number of these loans that are in delinquency, foreclosure, or REO. For loans taken out by rental investors, the Federal Reserve LoanPerformance Reports only provide data on the number of subprime and alt-A loans. It does not identify the number of these loans that are in delinquency, foreclosure, or REO. Statewide, rental-investor loans account for about 7 percent of subprime loans and 23 percent of alt-A loans; however these percentages are substantially higher in some zip codes.

To account for these rental-investor loans, Minnesota Housing applied the delinquency and foreclosure/REO rates for owner-occupied housing to the rental-investor loans in each zip code. For example, if 30 percent of subprime loans for owner-occupied housing are in foreclosure or REO in a zip code, Minnesota Housing applied this rate to the number of subprime rental-investor loans in that zip code to estimate the number of rental-investor foreclosures/REOs. Minnesota Housing then added the number of owner-occupied and rental-investor foreclosures/REOs to calculate the number of all foreclosures/REOs for subprime loans. Using this methodology, Minnesota Housing estimated the number of all (owner-occupied and rental-investor) subprime and alt-A loans in delinquency and foreclosure/REO. These adjustments are beneficial. By making them, the correlation coefficient at the zip code level between LoanPerformance’s foreclosures/REOs and HousingLink’s sheriffs sales increased from 0.958 to 0.972.

Minnesota Housing also adjusted the data to account for the fact that the Federal Reserve LoanPerformance Reports capture roughly 70 percent of subprime loans and 95 percent of alt-A loans

sold into securities.<sup>4</sup> The number of subprime loans in each zip code was adjusted upward to add the missing 30 percent. Likewise, the number of alt-A loans in each zip code was adjusted upward to account for the missing 5 percent. Minnesota Housing assumed that the delinquency and foreclosure/REO rates for the added loans were the same as the rates for the loans captured in the data.

## **Data Limitations**

The best statewide data at the neighborhood level to which Minnesota Housing had access was zip code data. However, zip code data has its limitations. A single zip code can contain a broad spectrum of housing. For example, one section of a zip code may have a very high concentration of foreclosures, while another part of the same zip code may have very few foreclosures. Under this scenario, it is entirely possible that this zip code did not rank as one of the highest-need zip codes in the state and will not have a direct assignment of funds. However, as described below, Minnesota Housing has set aside a pool of the NSP funding for these types of areas. These funds will be available on a competitive basis for areas (not receiving a direct assignment) in one of the 24 highest-need counties. See below for details.

## **Identification and Distribution Process**

### **Identifying Areas of Greatest Need**

Minnesota Housing first identified zip codes with high concentrations of loans that are in foreclosure, REO, or delinquency or are subprime. The rates are expressed as loans per 100 households. Each zip code's rates are compared with the state's rates and weighted to give greater emphasis to loans actually in foreclosure or REO. The "need score" formula is:

Score =

- $0.7 \times (\text{the zip code's number of loans in foreclosure or REO per 100 households} / \text{state's foreclosures or REOs per 100 households})$   
+
- $0.15 \times (\text{the zip code's number of subprime loans per 100 households} / \text{state's subprime loans per 100 households})$   
+
- $0.15 \times (\text{the zip code's number of loans 60+ days past due per 100 households} / \text{state's loans 60+ days past due per 100 households})$

(The delinquency rate is an assessment of the potential for future increases in foreclosures.)

The need score expresses each zip code's rate of problem loans in relation to the overall state rate. A zip code with a need score of 200 percent has twice as many problem loans per 100 households as the state average, and a zip code with a need score of 600 percent has six times as many problems per 100 households.

From Minnesota's 872 zip codes, Minnesota Housing identified the 120 zip codes with the greatest need for assistance. These 120 zip codes account for just over 57 percent of all Minnesota's subprime and alt-A loans in foreclosure or REO. Minnesota Housing chose the 120 cut off to balance four factors: (1) targeting funds to the highest-need zip codes, (2) capturing in the selected zip codes at least 50 percent of the state's subprime and alt-A loans in foreclosure or REO, (3) balancing the distribution of funds

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<sup>4</sup> This assessment of the data coverage comes from the Minneapolis Federal Reserve Bank, "Request for Federal Reserve Board reports based on information from First American LoanPerformance," p. 2.

between the Twin Cities metro area and Greater Minnesota, and (4) assigning roughly two-thirds of the funds directly to zip codes and one-third on a competitive basis.

See the spreadsheet titled “Zip Code Analysis” for a listing of each zip code’s need score. The spreadsheet can be accessed at [http://www.mnhousing.gov/idc/groups/secure/documents/admin/mhfa\\_007439.xls](http://www.mnhousing.gov/idc/groups/secure/documents/admin/mhfa_007439.xls).

### **Distribution Process**

In aggregate, Minnesota will receive \$57.8 million from HUD under the Neighborhood Stabilization Program. Of these funds, HUD has already assigned \$18.9 million to five localities (Minneapolis, St. Paul, Anoka, Dakota, and Hennepin), but these communities are eligible to receive additional funding from Minnesota Housing. To account for this, Minnesota Housing first determined how much in aggregate should be assigned to the zip codes in each of these communities. It then deducted the amount HUD has already assigned to them to compute the additional amount that these communities will be eligible to receive from Minnesota Housing. However, as the assignment process described below will show, HUD’s formula assigned more funding to Dakota County than Minnesota Housing’s formula would assign to it in aggregate. Consequently, a negative funding level of \$945,819 occurs after HUD’s assignment is deducted from Minnesota Housing’s. Thus, Minnesota Housing is setting aside \$945,819 from the start (before any other funds are assigned) to make up for this short fall.

In addition, Minnesota Housing has already identified projects through its fall Community Revitalization RFP process to receive \$3.68 million through NSP, and Minnesota Housing will initially retain \$500,000 for its own administrative expenses. The amount to be distributed is reduced by these amounts. If Minnesota Housing’s administrative costs are less, the remaining administrative funds will be distributed to communities for stabilization at a later date.

To start the process for assigning maximum distributions to individual zip codes, Minnesota Housing started with \$52.7 million. This is the overall Minnesota allocation of \$57.8 million less:

- \$945,819 for the Dakota County adjustment
- \$3.68 million for the Community Revitalization projects already targeted to receive NSP funds
- \$500,000 for Minnesota Housing’s administrative costs

As described earlier, the \$18.9 million that HUD has already assigned to five communities will be deducted from the zip code assignments after each zip code’s aggregate assignment is determined.

Minnesota Housing limited its assignment process to the 120 highest-need zip codes. Each of these zip codes first received an initial assignment based on its share of foreclosures, REOs, delinquencies, and subprime loans among the 120 high-need zip codes. In the assignment formula, each factor had the same weight as the need score.

Initial Assignment Percentage=

- $0.7 \times (\text{the zip code's number of loans in foreclosure or REO} / \text{number of loans in foreclosure or REO from all 120 high-need zip codes})$   
+
- $0.15 \times (\text{the zip code's number of subprime loans} / \text{number of subprime loans from all 120 high-need zip codes})$   
+

- $0.15 \times (\text{the zip code's number of loans 60+ days past due} / \text{number of loans 60+ days past due from all 120 high-need zip codes})$

The assignment percentage for each high-need zip code was then applied to the \$52.7 million funding level (after the initial deductions). Under this initial assignment, all zip codes received the same amount of funding for each loan in foreclosure or REO. Similarly, they received the same amount for each delinquency and another set amount for each subprime loan.

Because this initial assignment is based on the number of problem loans in each zip code, rather than the concentration of problem loans (problem loans per 100 households), two zip codes with the same number of foreclosures would receive the same amount of funds even if one has half the number of households as the other and a foreclosure rate that is twice as high. To stabilize a neighborhood by reducing the concentration of foreclosed, abandoned, and blighted properties, zip codes and neighborhoods with higher concentrations of problem loans should receive more funding. Below, an adjustment is made to account for the concentration of problem loans, which is measured by the “need score” discussed above.

The initial assignment formula also does not take into account other need factors, such as income level and the age of the housing stock in each zip code. Because lower-income areas have limited resources, it will be more difficult for them to rebound and stabilize on their own. In addition, areas with older housing will likely need more rehabilitation and/or reconstruction to make them desirable for purchase than areas with newer housing.

#### Adjustments:

- For each 10 percentage points that a zip code's need score is greater than 211% (the overall need score for the 120 highest-need zip codes), that zip code's initial assignment is increased by 0.5 percent, with a 20 percent cap. Conversely, for each 10 percentage points that a need score is below 211%, the initial assignment is decreased by 0.5 percent, with a 20 percent cap. For example, zip code 55411 in North Minneapolis has a need score of 784% (meaning it has nearly eight times as many problem loans per 100 households as the state overall). Consequently, it will receive a 20 percent increase in its assignment.
- For each \$1,000 that a zip code's median family income (in 2000) was below \$56,874 (the statewide median), the zip code's initial assignment is increased by 0.5 percent, with a 15 percent cap. An equivalent reduction is made for zip codes with a median income greater than \$56,874. For example, zip code 55411 had a median income in 2000 of \$29,535 and will receive a 13.7 percent increase in its assignment.
- For each year that a zip code's median housing age is greater than 31 years (the statewide median), the zip code's initial assignment is increased by 0.5 percent, with a 15 percent cap. An equivalent reduction is made for zip codes with a median housing age less than 31 years. For example, zip code 55411 had a median housing stock age of 58 years in 2000 and will receive a 13.5 percent increase.
- The increases and reductions from the three adjustments do not offset each other. To correct for this, each zip code's adjusted assignment is reduced by about 4 percent to bring the overall assignment level back to \$52.7 million.

Under the assignment process, 37 of the 120 high-need zip codes will receive more than \$500,000. These funds will be available for stabilization efforts in these zip codes with applications due January 28, 2009. These 37 zip codes account for about 45 percent of the state's subprime and alt-A loans in foreclosure or REO.

After assigning funds to these 37 zip codes, Minnesota Housing accounted for the funding that HUD is directly assigning to Anoka, Dakota, and Hennepin counties and the cities of Minneapolis and St. Paul. The zip codes and portions of these 37 zip codes that fall in these localities will have their assignments from Minnesota Housing proportionally reduced to account for the funds that HUD will directly assign to them.<sup>5</sup>

The remaining 83 high-need zip codes would have each received less than \$500,000 under the assignment process, which would have likely assisted no more than 10 housing units across an entire zip code.<sup>6</sup> Thus, Minnesota Housing dropped these 83 zip codes and pooled their assigned funds by region (seven-county metro area pool, Greater Minnesota pool, and general pool). These pooled funds will be available on a competitive basis by region with applications due January 28, 2009.

To be eligible to compete for the pooled funds, a neighborhood stabilization effort does not have to occur in one of the 83 zip codes that had their funds pooled. A neighborhood stabilization effort in any one of the 23 high-need counties will be eligible to compete for these funds. To be considered high need, a county must rank in the top 19 counties under one of two criteria – (1) number of sheriff's sales or (2) concentration of sheriff's sales (sheriff's sales per 100 households).<sup>7</sup> Fifteen counties rank in the top 19 for both criteria, while 8 others rank in the top 19 for one of the two criteria. The high need counties are:

1. Anoka
2. Benton
3. Carver
4. Chisago
5. Crow Wing
6. Dakota
7. Dodge
8. Hennepin
9. Isanti
10. Kanabec
11. Le Sueur
12. Meeker
13. Mille Lacs
14. Olmsted
15. Pine
16. Ramsey
17. Rice
18. Scott
19. Sherburne
20. St. Louis
21. Stearns
22. Washington
23. Wright

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<sup>5</sup> To account for zip codes that cross county and city lines, Minnesota Housing used shape files from the Census Bureau to measure the portion of each zip code that falls within the localities that will receive a direct allocation from HUD.

<sup>6</sup> Based on community revitalization and foreclosure mitigation work that Minnesota Housing has financed in recent years, the level of assistance provided per housing unit averages between \$30,000 and \$80,000 depending on the amount of rehabilitation versus demolition/reconstruction is done. This assistance captures the amount of value and affordability gap provided after the home had been sold. It excludes construction financing assistance.

<sup>7</sup> The list of the 23 high need counties is based on HousingLink's data on the number of sheriff's sales that occurred in 2007 and the first three quarters of 2008. Household data is for 2007.

See the spreadsheet titled “County Analysis” for the number and concentration sheriff’s sales in each of Minnesota’s counties. The spreadsheet can be accessed at [http://www.mnhousing.gov/idc/groups/secure/documents/admin/mhfa\\_007438.xls](http://www.mnhousing.gov/idc/groups/secure/documents/admin/mhfa_007438.xls).

### Assignment Results

See the spreadsheet titled “Zip Code Analysis” for the funds assigned to each of the 120 highest-need zip codes. The spreadsheet can be accessed at [http://www.mnhousing.gov/idc/groups/secure/documents/admin/mhfa\\_007439.xls](http://www.mnhousing.gov/idc/groups/secure/documents/admin/mhfa_007439.xls).



Table 1 summarizes these assignment results:

**Table 1: Funding to be Distributed**

Overall Allocation to Minnesota	\$57.8 million
Minus Dakota County Adjustment	\$945,819
Minus Funds Already Targeted to Community Revitalization Projects	\$3.68 million
Minus Minnesota Housing Administrative Costs	\$500,000
Equals Total Funds to Distribute (Before HUD Funds to Entitlement Areas are Deducted)	\$52.7 million
Minus Funds Directly Assigned by HUD to Five Entitlement Communities	\$18.9 million
Plus Dakota County Adjustment (added back in)	\$945,819
Equals Funds to be Distributed by Minnesota Housing	\$34.7 million
Minus Funds Assigned to Zip Codes	\$23.8 million
Equals Pooled Funds	\$10.9 million

Table 2 shows the regional distribution of the \$52.7 million (before the HUD funds to entitlement areas are deducted).

**Table 2: Regional Distribution (Before HUD Funds to Entitlement Areas are Deducted)**

	<b>Seven County Metro</b>	<b>Greater Minnesota</b>	<b>Crossing Metro / Greater-MN Boundary</b>	<b>Total</b>
Assigned to Zip Codes	\$36.9 million	\$4.0 million	\$0.9 million	\$41.8 million*
Pooled	\$2.9 million	\$6.0 million	\$1.9 million	\$10.9 million
Total	\$39.9 million	\$10.0 million	\$2.8 million	\$52.7 million
Percentage of Total	76%	19%	5%	100%
Percentage of Sheriff's Sales	65%	35%		100%
* This \$41.8 million is the \$23.8 million assigned to zip codes by Minnesota Housing, plus the \$18.9 million directly assigned to entitlement areas by HUD, less the \$945,819 adjustment to Dakota County's allocation.				

Table 3 shows the funding for the entitlement areas based on the zip code analysis.

**Table 3: Entitlement Area Assignments Based on Zip Code Analysis**

Minneapolis		
	Minnesota Housing Total Assignment	\$11,213,239
	Minus HUD Assignment	\$ 5,601,967
	Net Minnesota Housing Assignment	\$ 5,611,272
St. Paul		
	Minnesota Housing Total Assignment	\$8,862,029
	Minus HUD Assignment	\$4,302,249
	Net Minnesota Housing Assignment	\$4,559,780
Hennepin (Excluding Minneapolis)		
	Minnesota Housing Total Assignment	\$7,559,486
	Minus HUD Assignment	\$3,885,729
	Net Minnesota Housing Assignment	\$3,673,757
Anoka		
	Minnesota Housing Total Assignment	\$4,883,953
	Minus HUD Assignment	\$2,377,310
	Net Minnesota Housing Allocation	\$2,506,643
Dakota		
	Minnesota Housing Total Assignment	\$1,820,172
	Minus HUD Assignment	\$2,765,991
	Equals Net Minnesota Housing Assignment	\$ -945,819
	Plus Dakota County Adjustment	\$ 945,819
	Adjusted Net Minnesota Housing Assignment	\$0

Tables 4a and 4b show the maximum distributions for specific zip codes after deducting the funds directly assigned by HUD. If a zip code falls in more than one type of jurisdiction, it is listed more than once. For the zip codes listed under a jurisdiction, the maximum distribution is that jurisdiction's share of that zip code's maximum distribution.

**Table 4a: Minnesota Housing Maximum Distributions to Zip Codes in Entitlement Areas Already Receiving NSP Funds from HUD**

<b>Zip Code</b>	<b>NSP Entitlement Recipient from HUD</b>	<b>Maximum Distribution from Minnesota Housing</b>
55303	Anoka	\$564,634
55433	Anoka	\$459,409
55421	Anoka	\$394,999
55304	Anoka	\$364,167
55448	Anoka	\$331,449
55434	Anoka	\$300,187
55330	Anoka	\$91,799
<b>Anoka Subtotal</b>		<b>\$2,506,643</b>
55024	Dakota	\$0
55075	Dakota	\$0
55044	Dakota	\$0
<b>Dakota Subtotal</b>		<b>\$0</b>
55443	Hennepin	\$709,438
55430	Hennepin	\$594,023
55429	Hennepin	\$529,601
55444	Hennepin	\$479,179
55422	Hennepin	\$415,412
55428	Hennepin	\$407,048
55445	Hennepin	\$277,847
55316	Hennepin	\$261,210
<b>Hennepin Subtotal</b>		<b>\$3,673,757</b>
55411	Minneapolis	\$2,482,799
55412	Minneapolis	\$1,588,750
55407	Minneapolis	\$880,129
55418	Minneapolis	\$455,705
55430	Minneapolis	\$203,889
<b>Minneapolis Subtotal</b>		<b>\$5,611,272</b>
55106	St. Paul	\$2,006,214
55104	St. Paul	\$740,964
55101	St. Paul	\$519,378
55107	St. Paul	\$366,027
55103	St. Paul	\$328,349
55117	St. Paul	\$299,532
55119	St. Paul	\$299,315
<b>St. Paul Subtotal</b>		<b>\$4,559,780</b>
<b>CATEGORY TOTAL</b>		<b>\$16,351,453</b>

**Table 4b: Minnesota Housing Maximum Distributions to Zip Codes Not in Entitlement Areas Already Receiving NSP Funds from HUD**

	<b>Maximum Distribution from Minnesota Housing</b>	<b>Counties (listed alphabetically)</b>
55371	\$796,254	Benton Isanti Mille Lacs Sherburne
55398	\$631,819	Isanti Sherburne
55040	\$552,855	Isanti
55117	\$711,514	Ramsey
55119	\$581,726	Ramsey
55421	\$85,513	Ramsey
55379	\$734,988	Scott
55309	\$940,676	Sherburne
55330	\$715,446	Sherburne Wright
55016	\$642,035	Washington
55313	\$543,883	Wright
55362	\$523,923	Wright
<b>CATEGORY TOTAL</b>	<b>\$7,460,632</b>	

Tables 5 and 6 show the other funds being distributed by Minnesota Housing

**Table 5: Competitive Funds to High Need Counties**

Competitive Pools		
	Twin Cities Metro Area	\$ 2,937,309
	Greater Minnesota	\$ 6,026,541
	General Pool	\$ 1,893,995
	Competitive Pool Total	\$10,857,845

**Table 6: Other Funds Distributed by Minnesota Housing**

Projects Identified in fall CRV RFP		
	Minneapolis	\$1,590,000
	St. Paul	\$1,790,000
	St. Cloud HRA	\$ 300,000
	CRV Total	\$3,680,000

## Appendix B: Location of Zip Codes Receiving NSP Funding Assignment

